

**ASSESSMENT OF HOUSING AFFORDABILITY PROBLEMS  
AMONG YOUNGER WORKING HOUSEHOLDS IN  
GREATER KUALA LUMPUR**

**ZAFIRAH AL SADAT BINTI ZYED**

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Name of Candidate: ZAFIRAH AL SADAT BINTI ZYED (I.C/Passport No: 870201915004)

Registration/Matric No: BHA100014

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YOUNGER WORKING HOUSEHOLDS IN GREATER KUALA LUMPUR**

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## ABSTRACT

Problems relating to housing affordability are closely linked to economic and social factors. Faced with rising rural urban migration, increasing house price, low income growth and high cost of living, the younger working households (YWH) struggle to own a house especially in the private housing market in urban area. Current housing policies do little to help YWH afford a house. Using an institutional framework, this study argued that the state is responsible for providing adequate housing to all income group particularly low and middle income household. When market conditions fail, the state should be held responsible in maximising housing welfares. The discussion of identifying housing affordability problems among YWH led to two important factors to consider. Firstly, the structural pathways in housing policy and schemes have disappointed YWH because of the difficulties to compete in the open housing market and the gap of affordable housing is yet to be filled by the state. Secondly, the capability of YWH in doing things and not their intention in doing it is influenced by the formal structure. The rational action of YWH in choice of housing leaves no space of desire and passion due to the rules and resources. The dependency of structure and agency in this study demonstrated the outcome of the housing affordability problems. Against this background, the main aim of this study is to examine the problems of housing affordability among YWH. This study further intends to address the policy implications of these problems. Four main research questions were addressed. Firstly, what are the problems faced by YWH in finding affordable housing. Secondly, what are emerging policy and schemes formulated to address these problems. Thirdly, to what extent should the state intervene in these problems and finally how can the state address these problems. Drawing upon a case study of YWH in Greater Kuala Lumpur, questionnaire surveys are conducted amongst 420 respondents through random sampling with pre-determined criteria. Additionally, in-depth interviews were also conducted to gain further insight into these problems. Views of the state concerning key issues in addressing housing affordability problems were also sought. The findings revealed that the main problem faced by YWH is limited supply of affordable housing in the market. Even more, the perceived affordable housing in the market is open to all income groups which suggest that YWH has to compete with other income groups in the open market for homeownership. The state has to a certain degree intervene in the market by introducing National Housing Policy (NHP), My First Home Scheme (MFHS) and 1Malaysia People Housing Scheme (PR1MA) to provide affordable housing to this group of YWH. Nevertheless, this intervention is viewed as insufficient. In conclusion, this study suggests that the state should introduce more housing schemes such as the shared ownership schemes to address these problems. It is also recommended that state should perhaps consider properties to be rented to YWH as well as introducing a comprehensive affordable housing system.

## ABSTRAK

Masalah mampu milik rumah adalah berkait rapat dengan faktor-faktor ekonomi dan sosial. Dengan peningkatan migrasi luar bandar ke bandar, kenaikan harga rumah, peningkatan pendapatan yang rendah dan kos sara hidup yang tinggi telah menyebabkan isi rumah golongan muda yang bekerja (YWH) menghadapi masalah untuk memiliki rumah terutamanya dalam pasaran perumahan swasta di kawasan bandar. Polisi perumahan yang ada pada masa kini tidak membantu YWH secara menyeluruh untuk meningkatkan kemampuan membeli sebuah rumah. Dengan menggunakan rangka kerja institusi, kajian ini berpendapat bahawa kerajaan bertanggungjawab untuk menyediakan perumahan yang mencukupi untuk semua kumpulan terutamanya kumpulan isi rumah berpendapatan rendah dan sederhana. Apabila keadaan pasaran kurang memuaskan, kerajaan perlu bertanggungjawab dalam memaksimumkan bantuan dari segi perumahan. Perbincangan mengenai masalah mampu milik perumahan dikalangan YWH membawa kepada dua faktor penting untuk di beri perhatian. Pertama, struktur dasar dan skim perumahan telah mengecewakan YWH kerana kesukaran untuk bersaing dalam pasaran perumahan yang terbuka dan jurang mampu milik perumahan belum lagi dapat diatasi oleh pihak kerajaan. Kedua, kemampuan YWH dalam melakukan sesuatu perkara dan pada masa yang sama dipengaruhi oleh struktur formal secara tidak langsung. Tindakan rasional YWH dalam memilih rumah adalah meninggalkan keinginan dan semangat untuk memiliki rumah rentetan daripada peraturan yang telah dibuat. Kebergantungan struktur dan agensi dalam kajian ini memaparkan satu masalah dalam kemampuan milik rumah. Berpandukan latar belakang ini, tujuan utama kajian adalah untuk mengkaji masalah-masalah mampu milik rumah di kalangan YWH. Kajian ini bertujuan menyatakan permasalahan dasar yang sedia ada kepada YWH. Terdapat empat persoalan utama yang hendak diketengahkan dalam kajian ini. Pertama, apakah masalah yang dihadapi oleh YWH dalam mencari rumah yang mampu milik. Kedua, apakah dasar dan juga skim baru yang digubal atau direncanakan untuk mengatasi permasalahan ini. Ketiga, sejauh mana perlunya campur tangan daripada pihak kerajaan dalam permasalahan ini dan akhirnya bagaimanakah kerajaan mengatasi permasalahan ini. Melalui satu kajian YWH di *Greater Kuala Lumpur*, tinjauan soal selidik ini dijalankan di kalangan 420 responden secara rawak dengan kriteria yang telah ditetapkan. Selain itu, temu bual juga dijalankan untuk mendapatkan maklumat lanjut berhubung masalah-masalah ini. Pandangan wakil kerajaan mengenai isu-isu penting dalam menangani masalah mampu milik rumah juga telah diambil. Kajian ini menunjukkan bahawa masalah utama yang dihadapi oleh YWH adalah disebabkan bekalan rumah mampu milik yang berada di pasaran adalah terhad. Bahkan rumah mampu milik yang dilihat di pasaran ketika ini terbuka kepada semua kumpulan berpendapatan dimana YWH terpaksa bersaing dengan kumpulan berpendapatan lain di pasaran perumahan terbuka ini. Kerajaan pada tahap tertentu telah campur tangan dalam pasaran perumahan dengan memperkenalkan Dasar Perumahan Negara (NHP), Skim Rumah Pertamaku (MFHS) dan Skim Perumahan Rakyat 1Malaysia (PR1MA) untuk menyediakan rumah mampu milik kepada kumpulan YWH. Walau bagaimanapun, campur tangan ini dilihat tidak mencukupi. Kerajaan juga telah memperkenalkan insentif bagi pemaju swasta. Keadaan ini juga dilihat sebagai tidak mencukupi untuk menggalakkan pemaju untuk menyediakan rumah mampu milik kepada pasaran terkini. Kesimpulannya, kajian ini mencadangkan bahawa pihak kerajaan perlu menyediakan lebih banyak skim perumahan seperti *shared ownership schemes* untuk menangani masalah-masalah ini seperti pengecualian cukai dan subsidi. Kajian ini juga mensyorkan kepada pihak kerajaan untuk mengambil kira hartanah untuk disewakan kepada YWH dan juga memperkenalkan sistem rumah mampu milik yang komprehensif.

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*Love is giving and this is my gift to you.*

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## **LIST OF ABBREVIATIONS**

AUD	Australian Dollars
BN	Barisan Nasional (National Coalition)
BLR	Base Lending Rate
BNM	Bank Negara Malaysia
CPF	Central Provident Fund
CHKL	City Hall of Kuala Lumpur
CPI	Consumer Price Index
CSS	Critical Social Science
EIU	Economist Intelligence Unit
EPF	Employees Provident Fund
EPU	Economic Planning Unit
GKL	Greater Kuala Lumpur/Klang Valley
GDP	Gross Domestic Product
GNI	Gross National Income
HIS	Household Income Survey
HPI	Housing Price Index
IAD	Institutional Analysis and Development
IHM	Intermediate Housing Market
ISS	Interpretative Social Science
KLSP	Kuala Lumpur Structure Plan
LNG	Liquefied Natural Gas
LPHS	Lembaga Perumahan Hartanah Selangor (Selangor Housing and Property Board)
MFHS	My First Home Scheme
MIC	Malaysian Indian Congress
MCA	Malaysian Chinese Association
NAPIC	National Property Information Centre
NEP	New Economic Policy
NHP	National Housing Policy
NIE	New Institutional Economic
PR1MA	Perumahan Rakyat 1Malaysia (1Malaysia People Housing Scheme)
PPP	Public-Private Partnership
PSS	Positivist Social Science
RPGT	Real Property Gain Tax
SEMs	Shared Equity Mortgages

SOHO	Small Office House Office
UK	United Kingdom
UMNO	United Malays National Organisation
USA	United States of America
WA	Western Australia
YWH	Younger Working Households



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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

Homeownership is every household dream. What stands in between a household and purchasing a house, among others, is their affordability to own a house. Housing affordability is defined in many terms by many researchers. However, the root definition of housing affordability is the income capability to cover the cost of purchasing a house (Wilcox, 2003; Stone, 2006; Burke, 2007; Wilcox 2007; Wan *et al.*, 2010; Hashim, 2010). Housing affordability is a termed accepted by researchers in providing solutions, guidelines and frameworks especially in formulating housing policy and schemes.

Housing affordability is also commonly used as an indicator of household's ability to own a house (Norazmawati, 2012). According to Wilcox (2003), housing affordability is traditionally defined by the rules of access to mortgage finance which may pose as a problem in housing affordability issues. Additionally, Suhaida *et al.* (2011) argued that housing affordability is not a feature of housing but a feature of housing service in relation to consumer capacity and desire to buy a house. From these definitions, the capacity to own a house shows there is a link between household income and house price and both of these factors has a substantial influence in housing affordability (Chen *et al.*, 2007).

Apart from that, Thalmann (2003) argued that housing market also influence housing affordability because the price for housing services may exceed the market average. Furthermore, Gan and Hill (2009) discussed that with decreasing in housing affordability; there will be an exertion of stress in the society. This scenario affects households who does not have the capacity to purchase a house and are eventually forced to pay higher rents. Moreover, housing affordability problem affects vulnerable groups. Vulnerable groups are commonly perceived as low income households. However, due to several factors including urbanisation, the prospective of basic needs especially in housing pose to be difficult for middle income households as well. Even more, there are two factors that the society are concern over, first, housing is the single largest expenditure item in their budget and second, the increase in housing prices and rents (Quigley & Raphael, 2004).

When the pre-existing market encountered failure in some segments of the market, the state intervention is important to maximise the social welfare. The social welfare in this context will be to provide adequate housing. Kajimo and Evans (2006) argued a house is a very valuable asset and has much wider economy, social, cultural and personal significance. To this significance, the housing affordability problems garnered towards ensuring affordable housing supply is available to YWH in the housing market. Davidson (2009) argued that affordable housing can be many things such as a fundamental right, a critical source of shelter and a contested locus of community. Most commonly, affordable housing is associated with low income households who are not able to enter the homeownership market without any state assistance due to the definition of it is a critical source of shelter (Agus, 2002; Byrne and Diamond, 2007; O'Mahony, 2009; Norazmawati; 2013). The housing affordability problem occurs when the household income is not enough to cover the cost of purchasing the house due to expensive house price in the housing market.

Housing affordability problems bring an impact especially towards the income capability of new entrants in the housing purchasing market. These new entrants are predominantly younger working households (YWH) who are in the lower end of the income distribution as they are in the early stages of their working career. With decent qualifications and employment, YWH today are a member of middle income households. In a study in the UK, YWH are identified to be between 20 to 39 years old (Wilcox, 2003; 2006; 2008). The age of YWH is considered as the breadth of first time home buyers. Wilcox (2008) argued that there is an Intermediate Housing Market (IHM) which is where households who are not eligible for housing benefits but cannot buy at the lowest decile of house price level in the housing market. The restriction to access the housing market is led to indications of housing affordability problems among YWH (Wilcox, 2003).

Additionally, the scope of this study focuses on homeownership among YWH. This is due to the practice of homeownership democracy in Malaysia. According to the Department of Statistics (2012), 71.4% of Malaysians owns their house. Thus, the scope of problems to purchase a house among YWH is crucial. Furthermore, the increasing demand of housing is caused by young households to find their own house and leave their parental homes (Green and Hendershott, 1996). Boehm and Schlottmann (1999) discovered that the average child of a homeowner is significantly more likely to achieve a higher level of education and thereby increases the likelihood that children will also become homeowners. They further argued that on average, parents who own homes are wealthier than those who rent and can provide financial help. This emphasise financial help from parents who are homeowners capture an effect towards the problems of housing affordability among YWH. However, Andrew *et al.* (2006) argued that young adults primarily choose to remain in their parental homes than private renting and owning a house.

This study identified three key elements of the housing affordability problems among YWH. The three key elements are house price, household income and housing choice in the housing market. Apart from that, Lee (2009) discovered that the volatility of house price is subjected to rise in response to bad news and inflation is a determinant in housing price volatility. The housing price volatility also led to price discrimination in housing. Ihlanfeldt and Mayock (2009) discussed evidence that housing price discrimination exists in the housing market. They concluded that the housing price discrimination is less in neighbourhoods with more educated homeowners. Even so, prices of house are affected by bargaining skills and power of the buyers and sellers. Moreover, heterogeneous products such as a house and automobiles are typically trade in the market only in a single transaction. These beckon speculators in the housing market and caused a higher volatility in housing price.

Furthermore, Mak *et al.* (2007) ascertained that with changes of time, the real estate market changes as well. From this viewpoint, Ihlanfeldt and Mayock (2009) agreed and claimed that with the passage of time there will be less house price discrimination as existing older cohorts are replaced by younger cohorts with regards to the increasing number of college education graduates. Education influenced housing affordability (Norazmawati, 2013) and with economic growth and increasing number of graduates, it is recommended that with time, the problem of YWH in housing will be solved.

In contrast, there has been evidence of households in the lower tail of the income distribution is now less able to afford a house than they were a decade ago (Bajari *et al.*, 2005; Matlack and Vigdor, 2008). With YWH considerably to be at the lower tail of the income distribution, it questions if time would eventually decrease the housing affordability for the younger cohorts or otherwise. This is because when income growth is not in tandem with housing affordability (increase inflation), the increases in house price is good for homeowners who are selling their house but bad for households who

are in the market to purchase a house (Stutz and Kartman, 1982; Bajari *et al.*, 2005). Furthermore, severe housing problems are defined as a housing cost burden above 50 percent and occupying severely inadequate units or both while moderate housing affordability problems involve a cost burden between 30 percent and 50 percent of income, occupying moderately inadequate units and overcrowding (Dolbeare, 2001). This intertwined problem of the house price as an affordability problem made it crucial in formulating an effective housing policy and schemes.

As previously discussed, there are factors that enacted house price as a housing affordability problem. Similarly, the common influence of changes in house price is rapid economic growth, increase in population and cost (Case and Schiller, 1998; Mak *et al.*, 2007) but, Phang (2009) rejected these influences and argued that house price changes are less dependent on population growth rates and construction costs because a house is a need. When housing demand over runs the supply of housing due to reasons of increasing income growth and increase labour forces, the inflation cuts into the real purchasing power of households especially among YWH.

In Malaysia, the government holds a responsibility in providing houses for low income households while other income households depend on the private sector for housing (Tan 2011). Tan (2011) also added the private sector has concentrated on high end homes because of the substantial increase in house and land prices. Due to this, YWH finds it difficult to find a house that they could afford as there is shortage in supply of affordable houses in urban areas. Even so, the houses that are considered affordable are located away from the city centre and will incur additional transportation cost. This is particularly felt in Greater Kuala Lumpur (GKL). Lower classes (urban poor) have low cost housing while the YWH who are members of the middle income class have set their sights on affordable homes which are something that the market has yet to fulfil (Abdul Rahman, 2013). Therefore, YWH who form the majority of Malaysians are

neglected by the state. These salaried workers, who have their money deducted monthly and still have to pay more at the end of the year and worse, are not qualified for aid. The only hope of YWH is on the government to take action in provisions in annual budget but they are often disappointment. This has resulted into a disconnected relationship between YWH and the state. Their socio-economic wellbeing is being seriously undermined by the market forces with the state unable to redress the problem.

Furthermore, the trend of migration rate from rural to urban areas has increased from 11% in 1957 to 71% in 2010 (Department of Statistics, 2010). With demand increasing and affordable housing supply decreasing, the house price increases and is perceived to be unaffordable for YWH. The need for state intervention is crucial to rebalance the housing policy that assists the current housing scenario. In the National Housing Policy (2011), there is an added focus on middle income households in the housing sector. With previous emphasis on low income households, the new recognition of middle income households in the National Housing Policy (NHP) has highlight that middle income household has encountered problems in purchasing a house. This is crucial in urban housing areas where the inclination of house prices and household income seems to have a wider gap with each other. The problem of urban housing areas was resulted from the urbanisation where households in rural areas migrated to urban areas for better opportunities in the job sector and to have better living standards.

Conversely, the state has intervened through the NHP, 1Malaysia People Housing Scheme and My First Home Scheme. The National Housing Policy still holds the state to the responsibility to assist the housing welfare of the low income households. However in the NHP that was introduced in 2011, there is a statement on encouraging private developers to develop more affordable housing for not only the low income household but also the middle income household. Additionally, the intervention of the

state in this sense is only in terms of words of encouragement with no incentives as indicated in the NHP.

Furthermore, the subsidised housing scheme, 1Malaysia People Housing Scheme (PR1MA) main focus is on providing affordable housing for the middle income households and there are eligible for the housing scheme. The applicants for the housing scheme have to earn RM 2,500 to RM 7,500 monthly of individual household income or combine household incomes and the house has to be owner occupied with a 10 year moratorium. In addition, the My First Home Scheme (MFHS) focus is to assist young households below 35 years old to enter homeownership. MFHS aims to relieve YWH in terms of housing loan for house price between RM 100,000 to RM 400,000. Similar to PR1MA, MFHS also has eligibility criteria for applicants to apply and require the applicants to reside in the house purchased through MFHS. Although the state has introduced various housing schemes to assist YWH to purchase a house, the housing policy and schemes is insufficient to address the housing affordability problems among YWH.

## **1.2 Overview of housing affordability problems and state's response in Malaysia**

The housing affordability problems among YWH are attributes of house price, household income and housing choice in the housing market. The empirical evidence clearly determined that these are three separate but inter-related problems. The problem of insufficient income to purchase a house relates to house price that is not affordable for YWH. Even more, there is limited housing choice in the supply of affordable housing in the housing market. Therefore, the role of state in this problem is important especially in closing the gap of supplying affordable housing in the housing market



The implementation of NHP, MFHS and PR1MA have reached satisfactory outcome in many ways. Firstly, the implementation of MFHS has given financial opportunities for YWH to purchase a house in terms of initial purchase and transaction costs. Though, MFHS lacks awareness. This lack of promotion led to problems of transparency in application, efficiency of the application process and delivering the promise of assisting YWH with securing housing loan and discount transaction costs. Moreover, the implementation of NHP and PR1MA is to ensure affordable housing supply in the market. The affordable housing supply is considered low in GKL despite subsidies and incentives provided by the state. Even though the type of house match the affordability of YWH (based on NAPIC, 2012), the range of house price offered by the scheme does not match.

Due to these problems, state intervention is crucial. The main aim of the housing policy is to ensure every household enjoy their housing right to own adequate housing. In general, the derivatives of the housing affordability problems among YWH are in the perspective of intervention by the state can be divided into three categories, which are, housing production in terms of housing supply, housing exchange in terms of buying or renting a house and housing consumption in terms of household purchasing capability (Milligan, 2003). This is closely related to the housing affordability problems among YWH which are influenced by house price, household income and housing choice in the housing market.

The intervention by the state in these categories will ensure housing affordability problems are kept at a minimum level. This study emphasise of the gap of affordable housing for YWH in the market where they have to compete with all income groups. This led to YWH losing out on affordable housing in the market because of the one primary and significant factor which is household income of YWH is smaller in scale as compared to older cohort members of the middle income household. Even though house

prices are increasing at a slow rate especially in GKL, state intervention is crucial. While the private market is favourable for a flourishing economy, the main aim of the housing policy is that every household should have adequate housing. As mentioned before, intervention by the state can be distinguished in three main aspects which are housing production, housing exchange and housing consumption. The state has responded through housing policy and subsidised housing scheme in order to cope with this housing affordability problem. However, these interventions by the state are not holistic in the three main aspects and are not in tune to a smoother solution towards housing affordability problems.

The missing aspect of the state intervention draws a gap in housing affordability problem in terms of affordable housing for YWH. Conversely, the state has intervened through NHP, PR1MA and MFHS that targets to assist YWH to become homeowners. The NHP holds the state responsible to assist the housing welfare of the low income households. Though, in the NHP that was introduced in 2011, there is a statement on encouraging private developers to develop more affordable housing for not only the low income household but also the middle income household. However, the intervention of the state in this sense is only in terms of promises from the state with no incentives for private developers to build affordable housing.

Furthermore, the subsidised housing scheme, PR1MA was introduced by the Prime Minister Office fill in the missing aspects of state intervention in providing affordable housing. The focus of PR1MA is to supply affordable housing for the middle income households that are eligible to apply for the housing scheme. The applicants for the housing scheme has to earn RM 2,500 to RM 7,500 of individual household income or combine household incomes and the house has to be owner occupied for a minimum of 10 years. This exudes housing production, housing exchange and housing consumption in state intervention.

Moreover, the MFHS focus in assisting households' age below 35 years old in purchasing their first house. MFHS aims to help YWH in terms of housing loan for house price between RM 100,000 to RM 400,000. Similar to PR1MA, MFHS also has criteria for applicants to apply and require the applicants to reside in the house purchased through MFHS. In this aspect, the state intervened in terms of housing exchange and housing consumption but not in housing production. Above all, the housing affordability problems among YWH are subjected towards the effectiveness of the housing policy and schemes.

### **1.3 Research problem**

The challenge of housing and increasing urban population, particularly the poor is becoming more critical in the urban areas where an explosive expansion of the urban population due to a high population growth rate and massive rural-urban drift has compounded the housing situation (Saw, 2007). This situation is mainly attributed due to two factors. Firstly, the availability of vast employment opportunities which drew migrants from the rural areas to settle in these peripheries and, secondly, the population moving away from the densely populated urban core centres to settle in the outer limits of their urban boundaries. The migration from rural areas to urban areas has increase in urbanisation rate from independence to present.

The urbanisation is attributed to population growth, changes in economic activity and a transformation from society (Salleh and Meng, 1997, Agus *et al.*, 2002). In the sense of population growth, the demographic shift from 1957 of urban population 11% has increase to 71% in 2010 as opposed to rural population. In the case of state intervention, the state is more in tune with developing rural population. Such intervention into development of rural population is in terms of economy, social and infrastructures. For

urban population, there is minimal government intervention and is market based. In which case, urban population are perceived to be able to afford within the free market.

In the recent introduction of the National Housing Policy, there is an added focus on middle income households in the housing sector. With previous sole focus on low income households, the new recognition of middle income households in the National Housing Policy has highlighted that middle income households face difficulties in purchasing a house in the housing market. This is crucial in urban housing areas where the inclination of house prices and household income seems to have a wider gap with each other especially among YWH. The problem of urban housing areas was a result from the urbanisation where households in rural areas migrated to urban areas for better opportunities in the job sector and to have better living standards as mentioned previously.

It can be said that the free market is failing the urban population in terms of housing specifically. The housing price is increasing at a lower rate in 2011. Moreover, the national house price index increased 3.4% from year 2010 to year 2011. However, the housing price index (HPI) shows that the house price has decreased from year 2011 to year 2012. The house price is now slowly decreasing due to a stricter lending guideline imposed by the Bank Negara Malaysia (BNM) but the housing market remains strong. Kuala Lumpur has the most expensive house price followed by Sabah and Selangor. As for the consumer price index (CPI), it has increased from 106.70 index points in June 2013 to 106.90 July 2013.

In terms of household income, the growth rate of household income has increased 4.5% from year 2007 to year 2009 and 7.2% from year 2009 to year 2012. In comparison by states, Kuala Lumpur has a significant increase in income growth rate from 1.5% from year 2007 to year 2009 and 14.9% from year 2009 to year 2012. This is a significant

increase and is attributed to Kuala Lumpur's thriving economy during this period. However it is a different scenario for Selangor and Putrajaya. There is an increase of 3.4% from year 2007 to year 2009 and 5.5% from year 2009 to year 2012 in Selangor. As for Putrajaya, the income growth rate for the year 2007 to year 2009 is 12.9% and 6.9% from year 2009 to year 2012.

There has been a number of PhD studies on housing affordability. In terms of structure, Milligan (2003) identified there are three components in housing policy that will influenced the housing affordability outcome. The three components are housing production, housing exchange and housing consumption. She added that the combination of these three components will have an effect on housing affordability outcome. Furthermore, Ndubueze (2009) PhD thesis on urban housing affordability and housing policy dilemma suggested that the significant housing affordability is different between socio-economic, housing tenure and states. He concluded that vigorous state involvement in housing especially in socio-economic realities is important to tackle housing problems. In local context, Norazmawati's (2007) PhD thesis suggested that the main variables that affect housing affordability to own a house includes household income, household expenditure, type of occupation, level of education and working household. Her study suggests that having children does not affect housing affordability.

The problem of volatility in house prices attribute to the housing affordability problem even though household income is increasing every year. Even more, the limited housing choice in the housing market has contributed to the housing affordability problems among YWH. Due to this, it is rationale to explore empirically on the housing affordability problems among YWH in the framework of state intervention in terms of housing policy and schemes.

#### **1.4 Research questions**

The main aim of this study is to examine housing affordability problems among YWH in order to critically understand the problems and to make recommendations on the role of the state and policy measures for solving the problems. The research questions are as below:

1. What are the housing affordability problems among YWH generally, and the factors contributing to the problems?
2. What are the emerging housing policy and schemes to address housing affordability problems among YWH?
3. To what extent should the state intervene in addressing this problem?
4. How can the state address this problem in housing policy and schemes?

#### **1.5 Research objectives**

There are four research objectives. The research objectives are:

1. To determine the housing affordability problems among YWH
2. To examine the emerging housing policy and schemes to address housing affordability problems among YWH
3. To determine the role of state in addressing this problem
4. To suggest suitable policy outcome in relation to address the housing affordability problems among YWH

#### **1.6 Scope of research**

This research attempts to explore the relationship between housing affordability problems and the role of state in addressing the problems in terms of housing policy and schemes. The significance of studying the relationship between YWH and the state in

housing affordability problems is translated through the perception of housing affordability problem and also perceptions of the problem from the state representatives. The scope of the research is also among YWH. This is due to the age group being the majority of the population in Malaysia. The study adopts GKL in Malaysia as a case study to investigate housing affordability problems among YWH in an urban area. The dimensions of the problem are seen from the perspective of housing policy and housing schemes. The rationale behind the perspective of housing policy and housing schemes is due to the role of state in addressing the housing affordability problems especially in the aspect of supply of affordable housing.

The housing affordability problems among YWH are seen in two phases. Firstly, the in-depth interview with state representatives whom promotes the housing policy and schemes will discussed the role of state in addressing this problem. Secondly, through questionnaire survey and in-depth interview with YWH, the housing affordability problems as experienced by YWH are examined and determined. In this scope of research, the result and discussion will not be go beyond the research framework and will answer the research questions in a scientific manner.

## **1.7 Research Methodology**

The research is carried out in five stages. The stages are preliminary study, literature review, data collection, data analysis and synthesising and conclusion. In the preliminary stage, the housing affordability problems were discussed through literature review in the international perspective. The housing affordability problems among YWH are influence of house price, household income and housing choice in the housing market. Even though, the housing affordability problems are separate problems, there are inter-related. In this stage, after identifying the problems, the research

questions were determined. The research questions led to the research aim and objectives.

In the literature review, theories and concepts in housing affordability were gathered. The literature review is related to theories and concepts in order to frame the research. The housing affordability problems were also explored in several countries such as United Kingdom (UK), United States of America (USA) and Australia. The Malaysian context of the housing affordability problem was also explored through official government documents, newspaper articles and journal articles concerning housing affordability problems in Malaysia. From these findings, the study area of GKL is determined and the variables identified in this stage were used in the data collection stage.

Data collection was done through case study approach that comprises of quantitative and qualitative method. The data were analysed in two phases. The first phase is structure analysis where interviews with state representatives is analysed. The second phase is agency analysis where data collected from the questionnaire survey and interview are analysed. Finally, the findings were synthesis and discussed. From the discussions led to the conclusion and the research aim was reached and the research questions are answered.

## **1.8 Structure of thesis**

The thesis comprises of nine chapters. Chapter one presents an overview of the housing affordability problems among YWH. This led to the statement of research problem. This chapter also discusses the research questions, research aim, research objectives, scope of research and also a brief explanation of the research methodology.



Chapter two discusses the definitions, framework and theories of housing affordability problems among YWH. The chapter starts with the rationales for the state to intervene in theoretical perspectives. This chapter presents the theoretical framework of the research in terms of state intervention mechanisms which is mainly through housing policy and schemes. In this chapter also, the housing affordability problem is conceptualised. The discussion of identifying housing affordability problems among YWH led to two important factors to consider. Firstly, the structural pathways in housing policy and schemes have disappointed YWH because of the difficulties to compete in the open housing market and the gap of affordable housing is yet to be filled by the state. Secondly, the capability of YWH in doing things and not their intention in doing it is influenced by the formal structure. The rational action of YWH in choice of housing leaves no space of desire and passion due to the rules and resources. The dependency of structure and agency in this study demonstrated the outcome of the housing affordability problems.

Chapter three elaborates deeper into the housing affordability problems among YWH. The housing affordability problems were identified and were explored in the countries selected in the literature review stage. The significant of this chapter is to identify and classify variables of housing affordability problems among YWH. This chapter focuses on the multi-dimensional nature of what conformed housing affordability as a problem among YWH. Furthermore, it also discussed on housing schemes in the UK, USA and Australia in assisting YWH to own a house.

Chapter four focuses the scope of the research in Malaysia. The context of housing in Malaysia is important to introduce before the data was collected. This chapter explains the housing situation in Malaysia including the house price, household income, household consumption, housing supply and also housing policies and schemes. This chapter aims to explain the housing situation in Malaysia in relation to housing

affordability problems among YWH and the state intervention in addressing this problem.

The purpose of Chapter five is to demonstrate the research methodology of this study. The meanings of methodology, research purpose, the rationale in choosing the research design is elaborated in this chapter. The chapter also explains the method of data collection which includes sampling and criteria of respondents for both questionnaire survey and interviews. Furthermore, how the data is analysed as well as problems and limitation of the study are also explained in this chapter.

Chapter six and seven presents the analysis of the empirical evidence. The data from questionnaire survey with YWH is presented in chapter six. Additionally, the data from in-depth interviews with YWH are also discussed in this chapter. The findings in this chapter is analysed quantitatively and qualitatively. The questionnaire survey seeks to examine the housing affordability problems among YWH. Furthermore, the analysis matched the gross monthly income with the supply of existing affordable housing in the market. This is significant to obtain empirical evidence of the affordable housing gap in the housing market. The in-depth interview provides a deeper understanding of housing affordability problems among YWH in Greater KL.

The purpose of the in-depth interview is to significantly enhance the interpretation of the data. In chapter seven, the role of state in addressing the housing affordability problems among YWH is discussed. The chapter discussed the qualitative analysis of the findings. It examines the views of state representatives on housing affordability problems and to what extent should the state intervene in addressing these housing affordability problems. The material presented in this chapter draws on interviews transcript and field notes gathered from the respondents.

Chapter eight marks the conclusion of this study. The research questions were answered in this chapter and the policy implications is discussed. The study concluded with a recommendation for the state to address the housing affordability problems among YWH. Furthermore, as times are changing, the state should also look into rental affordability in the housing market. This alternative approach to ensure YWH can purchase a house should first consider the rental market. Similarly, state has intervened through providing public rental housing for low income household. It is possible for the state to replicate the public rental housing system to accommodate YWH.

Furthermore, the savings made in their (YWH) household income can increase the number of homeownership amongst YWH. Furthermore, a more comprehensive housing policy and schemes should be introduced by the state such as the shared ownership or equity schemes in the UK that is suitable to cater the housing needs of YWH. With YWH at the lower end of the income distribution, this scheme will enable YWH to grow their housing needs in line with their income. Above all, YWH will have the opportunity to purchase a house with a share that is affordable to them and purchase more shares of the house when their income increases.

The state can also introduced a provision for such housing scheme where the private housing developer will also benefit in sustaining the affordable housing price. Furthermore, the state can opt to intervene in the housing market in terms of supplementary housing policy and let YWH own a house based on their capability through purchasing shares of the house. This chapter also highlights the contributions of this research to knowledge and proposal for the future research.

## **CHAPTER 2**

### **HOUSING POLICY AND SCHEMES: ROLE OF STATE AND INTERVENTION IN HOUSING AFFORDABILITY**

#### **2.1 Introduction**

Housing policy is one of the mechanisms used by the state to intervene in the market. The objective of housing policy is to ensure every individual has adequate housing. Housing schemes are usually derived to complement the housing policy and assist in achieving the policy aims. In relation to housing affordability, the role of state and intervention are primarily in providing affordable housing for the targeted households' group. There are two alternative options for state intervention. Firstly, the state intervene by allocating housing specifically to households who are unable to provide themselves in the housing market and secondly, by intervening in the functioning market in order to ensure the market will fulfil the housing needs of households (Bengtsson, 2000).

Furthermore, Lundviqst (1986) argued that housing policy in state intervention are either a supplementary of housing policy whereby the intervention is towards meeting particular needs and solving specific problems in a functioning housing market or a comprehensive mode that does not confined to regulating, supplementing or restraining the open market but channels the flow of the national resources in the housing sector that will maximise welfare and the state can exercise significant control over volume, timing and location of house for all income levels.

This chapter aims to provide a framework of this study in order to answer the research questions. The definition of housing affordability and the need for affordable housing are discussed in this chapter. Furthermore, this chapter also discuss and argue on housing policy and schemes as a means to emphasise the role of state and intervention in housing affordability among YWH. The framework in this study will guide the analysis of findings in this study.

## **2.2 Definition of housing affordability**

Housing affordability is a termed accepted by researchers in providing solutions, guidelines and frameworks especially in formulating housing policy and schemes. Housing affordability is commonly used as an indicator of household's ability to own a house (Norazmawati, 2012). According to Wilcox (2003), housing affordability is traditionally defined by the rules of access to mortgage finance which may pose as a problem in housing affordability issues. Additionally, Suhaida *et al.* (2011) argued that housing affordability is not a feature of housing but a feature of housing service in relation to consumer capacity and desire to buy a house. From these definitions, the capacity to own a house shows there is a link between household income and house price and both of these factors has a substantial influence in housing affordability (Chen *et al.*, 2007).

Apart from that, Thalmann (2003) argued that housing market also influence the housing affordability because of the price for housing services that exceed the market average. Furthermore, Gan and Hill (2009) discussed that with decreasing in housing affordability; there will be an exertion of stress in the society. This scenario affects households who does not have the capacity to purchase a house and are eventually forced to pay higher rents. Housing affordability problem affects vulnerable groups. Vulnerable groups are commonly perceived as low income households. However, due

to several factors such as urbanisation, the prospective of basic needs especially in housing pose to be difficult for middle income households especially among YWH. Even more, there are two factors that the society are concern over, first, housing is the single largest expenditure item in their budget and second, the increase in housing prices and rents (Quigley & Raphael, 2004).

When the pre-existing market encountered failure in some segments of the market, the state intervention is important to maximise the social welfare. The social welfare in this context will be to provide adequate housing. Kajimo and Evans (2006) argued a house is a very valuable asset and has much wider economy, social, cultural and personal significance. To this significance, the housing affordability problems garnered towards ensuring affordable housing supply is available to YWH in the housing market. The definition of affordable housing is important in this study. This is because the wide definition and interpretation of what affordable housing is. Davidson (2009) argued that affordable housing can be many things such as a fundamental right, a critical source of shelter and a contested locus of community. Most commonly, affordable housing is associated with low income households who are not able to enter the homeownership market without any state assistance due to the definition of it is a critical source of shelter (Agus, 2002; Byrne and Diamond, 2007; O'Mahony, 2009; Norazmawati; 2012). Indeed, it is imperative to define affordable housing in this study.

As argued by Davidson, affordable housing can also be a fundamental right. Housing is one of the rights of most develop and developing countries. Article 25(1) of the Universal Declaration of Human Rights states that "everyone has a right to a standard of living adequate for the health and wellbeing of himself and his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control." The right to housing in

this context shows that regardless of households' income group, everyone should have the opportunity towards adequate housing. This means that the expense of housing should not crowd other expenditure and everyone should live adequately with other non-shelter necessities such as food and clothing as well. If one agrees with every individual has the right to housing then it proclaims towards it is the state's duty to ensure that every individual should enjoy the right (Buang, 2010).

According to Article 11(1) of the International Covenant on Economic, Social and Cultural Rights states, "the State Parties to the present Covenant recognise the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing, and housing and to the continuous improvement of living conditions." The state's duty is to provide proper mechanisms such as through legal framework, policies or administrative to ensure all its citizens from all level of incomes have access to decent houses (Buang, 2010; Diamond; 2009). Through these mechanisms, the states not only ensure access towards decent housing but also the power to control the housing market if needed.

Thus, the promotion of homeownership as a national housing strategy through policies and schemes shows the state is working towards achieving the aims and objectives of the housing policy. In examining the housing affordability problems, this indicates the role of state and intervention in housing affordability is within the scope of providing affordable housing. The provision of affordable housing that is within the control of the state is seen as the most significant role that the state plays in addressing housing affordability problems. Therefore, the definition of affordable housing in this study is a combination of the fundamental right of every individuals to enjoy their right in an adequate house and is a critical source of shelters as the housing affordability problems pose potential impacts of a 'homeless generation'.

### **2.3 The need for affordable housing**

Wadhwa (1988) argued that the concept of ‘need’ in housing requires answering at least three basic questions, which are, whether the product is needed and if yes in which is the quantum needed and the identity of the agent whose opinion one must accept. He further explained to establish need, the perception of the individual or household, state and the society. Furthermore, it is the divergence between need and demand induces the state intervention and fills the gap of affordable housing. In this study, the need for provision of affordable housing is primarily cater to the housing need of the “sandwich class” which cannot afford to purchase a house and are not eligible for public housing because of the pre-determined financial criteria (Mak *et al.*, 2007; Wan *et al.*, 2010).

Lower classes (urban poor) have low cost housing while the younger working households (YWH) who are members of the middle income class have set their sights on affordable homes which is something that the market has yet to fulfil (Abdul Rahman, 2013). Therefore, YWH who form the majority of Malaysians are neglected by the state. These salaried workers, who have their money deducted monthly and still have to pay more at the end of the year and worse, are not qualified for aid. The only hope of YWH is on the government to take action in provisions in annual budget but they are often disappointment until 2011 that has shed some light into their pleas. This has resulted into a disconnected relationship between YWH and the state. Their socio-economic wellbeing is being seriously undermined by the market forces with the state unable to redress the problem.

Housing affordability is one of the key factors that can describe the socio-economic stability and development of a country (Suhaida *et al.*, 2010). It is aimed to ensure housing provided is affordable for all income groups. However, the objectives set by the National Housing Policy (NHP) are still far in the process of achieving it. The state has



missed on the social changes between the first generation of middle class and the second generation of middle class. The second generation of middle class is the younger working households today. The change in the social structure, especially in social behaviour has to redirect the housing policy approach. The role of state is loosely put together in providing affordable homes for YWH.

In this context, social change is defined as the change in the relationship between the state and YWH in providing affordable housing (see Figure 2.1). Dahrendorf (1958) argued that structural change happens when there is a conflict between the authority and the people with no authority. In which, in this study is between the state and YWH. The sphere of change is due to economy. Karl Marx (1959) postulated that every society rests on economic foundation. However, Marx misjudged the middle-class revolutions (Vago, 2004). Due to this, conflict theory by Dahrendorf altered Marx's theory in several ways. Dahrendorf (1990) contended that many of the conflicts are not capable of resolution but are frequently controlled by compromise. After the end of Mahathir's authoritarian era, the middle class voice out their opinion freely and demand for a more transparent government (see Abdul Rahman, 2013). This conflict between the second generation of middle class (YWH) and the state has resulted to the state to listen to their opinions and take actions when it is necessary.

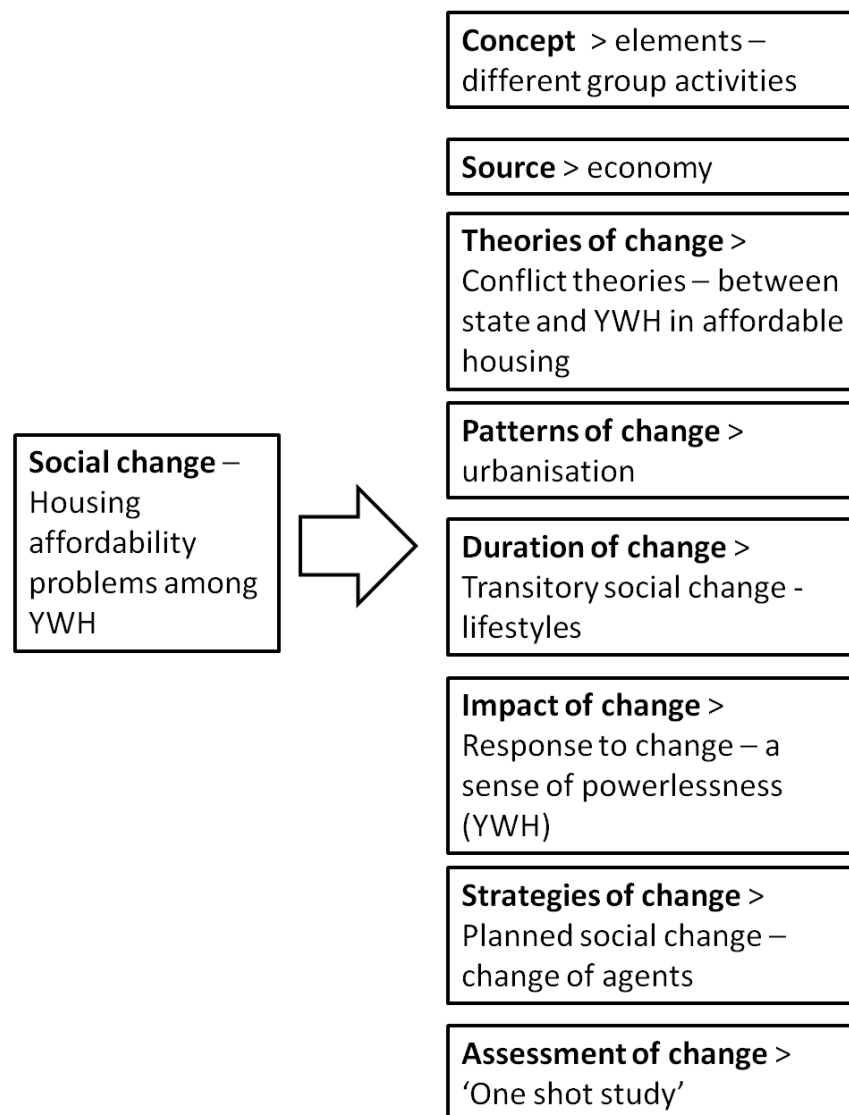


Figure 2.1 Social change – housing affordability problems among YWH  
Source: Author

The major patterns of change are revolution, modernisation, industrialisation, urbanisation and bureaucratization. Modernisation, industrialisation and urbanisation often occur in combination (Vago, 2004). Conversely, this study focuses on urbanisation whereby it refers to the process by which an increasing proportion of a country's population comes to live in cities for work opportunities in these urban areas (Friedmann, 2002). Urbanisation is a significant factor in both modernisation and industrialisation. For the purpose of this study, the emphasis will be on how YWH live in urban areas. Few aspects of international social change have generated patterns of

urbanisation and are more visible in the third world countries (Kasarda and Crenshaw, 1991; Vago, 2004). However, the patterns of urbanisation in developing nation are in contrast to experience of Western Europe. Urbanisation in developing countries has grown from the migration of rural population to the cities to search for better economic opportunities as compared to the rural area. Graves and Sexton (1984) argued that the rapid rate of urbanisation in developing nations gave rise to the concept of 'overurbanisation' (cited in Vago, 2004). Overurbanisation refers to the result of migration from rural areas at a higher rate than the expansion of employment opportunities in urban areas. This contradicts with the situation in Malaysia which will be elaborated in Chapter 4.

The sphere of change in economy is based on production, distribution and consumption. For the purpose of this study, it is argued that the sphere of change is based on distribution which entails a system of exchange in which goods and services have equivalent values (Vago, 2004). Smelser (2013) claimed that the mobilisation of economic resources for public goals such as through taxation involves the transfer of economic goods and services without the intrusion of an economic market.

Furthermore, Polanyi *et al.* (1957) suggested that economic activities have three main patterns of exchange which are reciprocative, redistributive and exchange. They explained that reciprocative is ritualised gift giving among families, clans and tribes while redistributive is bringing economic goods and services to a central source and redistribute it to the population and lastly simply referred as exchange, is the most common form of exchange of economic goods and services into a market context. This study argued that the pattern of exchange is redistributive whereby the bringing of economic goods and services to a central source is to the state and it is the state that holds responsibility in redistributing it to the populace. More specifically, the state has the responsibility in redistribution of taxation towards housing welfares as a one-way

exchange whereby goods and services given to individuals without receiving exchangeable market value in return (Boulding, 1973).

Every social change has a beginning, middle and an end. This study argued on the duration of change as a transitory social change. LaPiere (1965, p.66) emphasised,

“To constitute a socially significant change, the new must not be only adopted by a sufficient number of the members of a social population to give it currency, but so integrated into the social system that it will endure... no change may justly be deemed socially significant until the new has been so effectively transmitted from the generation in which it occurs to the next generation that it is thereafter considered as the normal and is taken for granted as an integral part of things as they are”

Not all social changes are significant and sustained for generations. Abdul Rahman (2001) highlighted the difference of the first generation middle class and second generation middle class. There are several forms of transitory changes but this study concentrate to examine the lifestyles of YWH. Max Weber introduced the term ‘lifestyle’ into the sociological literature and defined lifestyle as a social status determined primarily by one’s style of life on consumption rather than produce (Vago, 2004). The term also refers to the pattern of conduct over the same resources. These includes in purchasing commodities such as a house and a car.

Rokiah (2000) observed that the lifestyle of the first generation of middle class use a house as an indicator of status. She highlighted that there is a change in taste and lifestyle in the early 1990s such as opting for apartments and condominiums as opposed to bungalows, hiring local domestic helpers or ‘maids’ because of its affordable and reliable, shrinking urban families due to working wives, increased investment in their

pensions and more parents are willing to spend a great deal of money on education for their children from pre-schools to universities.

Furthermore, she argued that the first generation of middle class use credit cards and it has become a minor symbol of status and prestige. The social change in lifestyle is intensified in the second class generation of middle class (YWH) with most coming from parents of the first generation of middle class. Unfortunately, due to the changes of economy, YWH economic resources are similar to the first generation of middle class but in a different inflation situation.

The impact of this change has led to the response to change. As observed by Abdul Rahman (2013), raising voices and opinions from the second generation of middle class is characterised as a 'sense of powerlessness'. Seeman (1972) defined a sense of powerlessness as a low expectancy that an individual's own behaviour can control the occurrence of personal and social rewards; for the alienated individual control is located in external forces, powerful others, in luck or fate (cited in Vago, 2004, p. 290). This means that the impact of this social change has resulted to YWH to have no 'power' in housing per se, and it is the state that should recognise this social phenomenon. The cost of change economically and socially will point in terms of YWH economic growth and urban living. This will be discussed further in Chapter 3.

There are several social changes strategies and tactics. This study examined one of the aspects of planned social change which is change agents. Change agents refer to professionals who influence the change effort in a direction deemed desirable by a change agency (Zaltman and Duncan; 1977; Indergaard, 1997). It was argued that bringing economic goods and services to a central source which is the state is reasonable. Therefore, to achieve change, there must be an organisation or in other words, the state. It is within this context of change that the study seeks to answer the

research questions. To assess the change in this study, the study adopts the ‘one shot study’ approach to examine the social change of YWH that influence the housing affordability problems. This approach will study YWH from the target population after it has been exposed to the housing programs (Vago, 2004). The role of state in housing policy and schemes are elaborate in the next section.

## **2.4 The role of state in housing policy and schemes**

As previously discussed, housing is central to the social and economic needs of all people and because of this housing policy proclaimed the goal of providing adequate housing for all (Byrne and Diamond, 2007). Because the context of affordable housing in this study focuses on younger working households (YWH) who are a member of the middle income households, the role of state and intervention in affordable housing is discussed based on the private housing market. This is seen as houses that are perceived to be affordable for YWH that is provided by private housing developers in the open market. Milligan (2003) argued that there are three main influences of state intervention that will influence housing affordability outcomes. The three main influences in state intervention are in the aspect of housing production; housing exchange and housing consumption (see Figure 2.2).

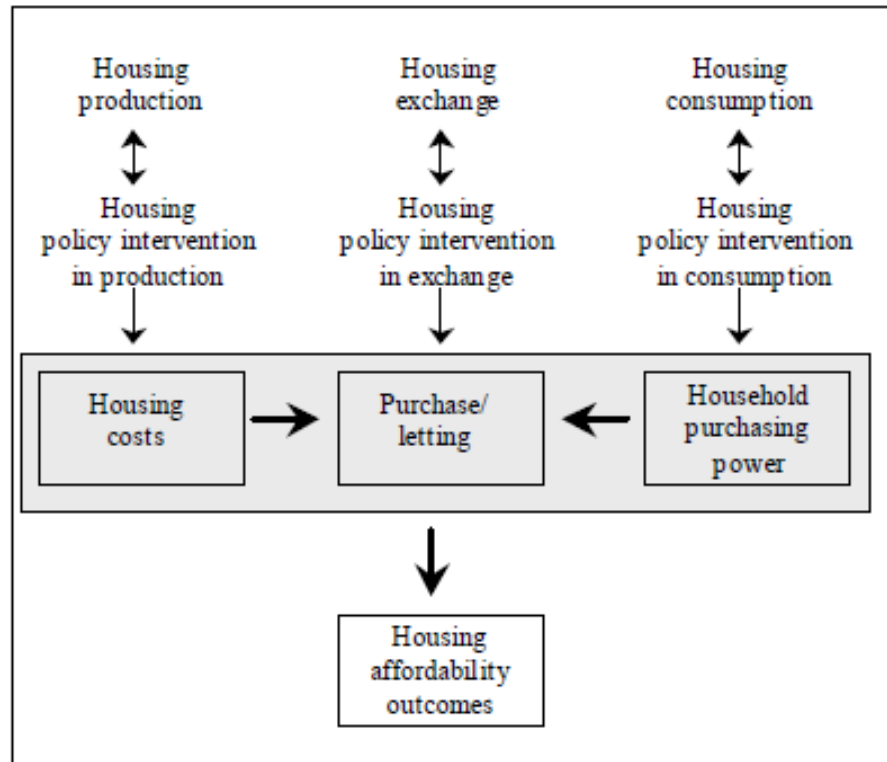


Figure 2.2 Influences of housing affordability outcomes

Source: Milligan (2003, p. 58)

According to Agus (2002), the private sector performs better than the public sector in supplying houses and excessive state control has hinder the housing development market and the capacity of private sector is under-utilised. Furthermore, public-private partnership (PPP) is not new in affordable housing. In the book, *Affordable Housing and Public-Private Partnership* (Davidson, 2009), he argued on the best approaches through PPP to build, operate and maintained affordable housing. Iglesias (2009) argued that the formation, funding and operations of PPP in affordable housing development requires collaboration of many sectors in which different party plays different role in developing and operating affordable housing. His approach of housing ethics ultimately suggest that direct government subsidies form of PPP is most effective in promoting affordable housing.

The state may choose to provide subsidies to build housing that is intended for targeted group that is consistent with the price affordability (Phang, 2009, p.3). He further explained,

“Government policies favouring home ownership as a tenure choice are widespread and take various forms in different countries. These include mortgage interest payments that are tax deductible, special treatment of capital gains from housing, tenant protection laws that negatively impact on value of investment properties, mass privatization, supply-side subsidies for state agencies and developers of housing for sale, mortgage interest subsidies, mandatory housing finance contributions, direct grants for housing purchase, property tax subsidies, planning laws, limitations on the supply of rental housing, et cetera.”

Apart from promoting home ownership as a tenure choice in housing policy, housing policy favours the availability of an affordable rental sector. Hulchanski (1995) argued that the income ratio is often part of a complex set of administrative regulation to assess the eligibility and determining rent levels for subsidised housing. Even more, the provision of housing subsidies are realised in many ways. Among them are through the production of affordable housing in terms of land grants or infrastructure, through finance such as subsidising construction loans, through operation expenses in public or employee housing, real estate tax deductions and by price controls (Wan *et al.*, 2010).

The housing policies and incentives should discuss the viewpoint of both public and private sector due to the success of PPP. Chan (1998) suggested that to fully achieve the housing policy objectives the government assistance in the following areas is need:

- a) Imposition of low-cost requirement
- b) Procedures for approval of plans
- c) Provision of state land for low cost housing



- d) Exemption of government levies
- e) Responsibility for collection of maintenance fees

In this study, the relevant government assistance is also seen in provision of state land and exemption of government levies. Chan (1998) argued that state's assistance for private sector should reduce the cost of production through formulating policies, guideline and incentives. However, the perspective from the state in housing policies and incentives is different than private sector. The state's goals of providing housing for all encompass the fabrics of social, economic and politics. Therefore, the state's viewpoint is in a larger context than the private sector. Ahmad Zakki (1997) discussed on the housing finance and affordability of the targeted group. The focus of subsidies from state is to assist home buyers in end financing including loans, grants, interest subsidies and saving schemes. The perspective of the state lies on improving targeted groups living and potential wealth creation from assisting to purchase a house.

In sum, the function of housing policy and schemes (derived from housing policy) is to ensure the role of state is played in assisting targeted groups, of which in this study is YWH. State intervention can be in many ways as discussed. Extensive and explicit intervention in the market by the state is primarily towards low income groups. However, the occurrence of social change argued in this study has call for state intervention for YWH. Allocation of subsidies in housing production from the state should divert into this contemporary problems of YWH. Thus, the direction of this study is to identify housing affordability problems among YWH and examining emerging housing policy and schemes.

## **2.5 Institutional framework: Structure**

In achieving the aim of this study in examining the housing affordability problems among YWH, institutional framework is adopted to identify these problems. Institutional framework has a number of approaches. Among the number of approaches is the New Institutional Economic (NIE) approach which has roots from two articles of Ronald Coase (1937; 1960) and Oliver Williamson (1975) and also the institutional analysis and development (IAD) approach by Ostrom (2007).

Institutions are socially constructed templates for action, generated and maintained through on going interactions (Barley and Tolbert, 1997). They defined institutions shared rules and typifications that identify categories of social actors and their appropriate activities or relationships and bears similar to Giddens (1984) notion of 'structure'. Similarly, social actions may vary in their particulars but may not be interpretable and their contours must conform to taken-for-granted assumptions about the activities and interactions appropriate for different classes of actors. The institutionalist approach moves from a general idea of human agency, institutions and evolutionary nature of economic processes to specific ideas and theories related to types of economy (Hodgson, 1998). He argued that institutionalists do not attempt to build a general model on the basis of those ideas and instead used the ideas to facilitate toward specific approaches to analysis.

Williamson (2000) suggested that there are two propositions on new institutional economics, firstly, the institutions do matter and secondly, the determinants of institutions are susceptible to analysis by the tools of economic theory. The new institutional economics is an empirical observation of which in economy, there is a vast array of modalities for organising transactions and there are at least three fundamental questions, which are, "what is the theoretical explanation of that diversity?", "what

factors determine the choice of economic agents of one form rather than another?” and “are there institutions more favourable than others to the efficient development of transactions?” (Menard, 2005, p. 28).

The neo-classical framework sees the role of state to intervene when the pre-existing market is a failure. The objective of the state is to maximise the social welfare. The relation between the state and society is where the consumers are the principal while the state is the agent and the state is viewed as giving back to the society. The existence of the state and a meaningful role for it depends on the pre-existence of market along with the failure of some segments of the markets. However, provision of certain quasi-public goods may have an equity dimension as well as provision of free or subsidised housing.

Since there is no divergence between the objectives of the principal and the agent, there is no question of a conflict between the two. The actions of the agent do not have to be monitored by the principals to ensure that social welfare is being, in fact, maximised. In any case, in the static neo-classical theory there is perfect information, all of which is conveyed by market prices. Thus, problems associated with asymmetry of information between the agent and the principal simply do not arise.

Standard neo-classical theory had a theory of state intervention based on market failure: market failure due to externalities and public goods, which called for a well-defined role of the state. However, an analysis of market failures based on imperfect information seems to suggest that market failures are pervasive in the economy. The state should intervene to correct all these market failures and it is necessarily assume that the state is endowed with information that is not available to the private sector. The costs of administering these interventions also may well exceed the benefits of the interventions. In this case, if there is a failure in the open housing market, it is the objective of the state to intervene in order to ensure social welfare is maximised. Against this

background of institutional and neo-classical approach, this study argued on the structuration theory through the structure and agency model. The main grasp of structuration theory is about the integration of structure and agency or, and in a more precise term, the duality of structure (Gingrich, 2000; Pozzebon and Pinsonneault, 2006).

Taken from Constitution of Society (p. 376) by Giddens, he defined structuration as “the structuring of social relations across time and space, in virtue of the duality of structure” (Gingrich, 2000). Giddens (1984, p. 2) further explained,

‘The basic domain of... the social science... is neither the experience of the individual actor nor the existence of any form of societal totality, but social practices ordered across time and space. Human activities are recursive... they are not brought into being by social actors but continually recreated by them via the very means whereby they express themselves as actors. In and through their activities as agents, they reproduce the conditions that make their activities possible’

Archer (1990) argued that the structuration theory is on the ‘oscillates between the two divergent images’ it included between the hyperactivity of agency that resulted into instability of society and also the consistency of structural properties associated with elemental recursiveness of social life (cited in Johnston, 2000). Structural properties of societies and social systems are real but there is no physical existence of the social practices arrayed across space and time (Pozzebon and Pinsonneault, 2006). Giddens distinguished the structural properties of social systems, conceived with reference to the duality of structure from social systems as articulated patterns of social interaction (Cohen, 1989). The structure and agency in this context is discussed further in this chapter.

Giddens work on structuration theory is an attempt to express process-oriented theory (social praxis) that treats structure or institutions as both a product of and a constraint on human action. Barley and Tolbert (1997) argued that Giddens tried to bridge the gap between deterministic, objective and static notions of structure and voluntaristic, subjective and dynamic views by positioning the two of social order and by focusing attention on points of intersection between the two scopes. They saw it as an analogue to grammar and speech where there is a need for each other to make an appropriate sentence as to the two scopes to have an appropriate structuration of society. An example given by them is in the business sense where “a contemporary ‘market-based control’ systems are instantiated in such scripts as the formulation of explicit business plans by semi- autonomous business units, the incorporation of entrepreneurial criteria into performance reviews and the elaboration of financial data systems (revenue and expenditure codes) for individual departments” (p. 7). Based on the example, structuration theory provides an account of the constitution of social life, the generic qualities of the subject-matter with which the social sciences at large are concerned (Cohen, 1989). Cohen further discussed the term of collectivities where it is constituted by interrelated practices reproduced across time and space in various places where he referred structuration to the reproduction of social relation across time and space as transacted in the duality of structure.

Additionally, Pozzebon and Pinsonneault (2006) considered structure is what gives form and shape to social life and is the form and shape itself. Even though structure on one hand exists in and through the activities of human agents as mentioned by Giddens, agency on the other hand does not refer to people’s intentions on their actions but rather the flow of the actions itself. Walsham (1993) emphasised structure and agency as an action that is strongly routinized and is both conditioned by existing cultural structures and also through the enactment process where those structures are created and recreated.

Johnston (2000) argued that human agency offered by structuration theory only emphasised on rational action and leaves no space for passion and desire. He considered that human geography's contemporary interest in processes and subjectivity of subject formation and much of this developing work has been highlighted by post-structuralism.

For Giddens, human agency and social structure are not two separate concepts or constructs, but are two ways of considering social action (Gingrich, 2000). Gingrich agreed with Giddens and understood that the situated actors undertake social action and interaction and their knowledgeable activities in various situations. The social systems are produced and reproduced in social interaction just as Giddens stress in his theory and it is also the rules, resources and social relationships that are produced and reproduced in social interaction (Gingrich, 2000).

To examine the dualism of structure and agency, Giddens departed from the conceptualisation of structure as some given or extend form as viewed by Pozzebon and Pinsonneault (2006). Barley and Tolbert (1997) saw Giddens explicitly contends that structuration occurs through time and he treats duration as a background assumption rather than a focus of attention. However, Cohen (1989) elaborated on Giddens two integrations which are social integration and system integration. Social integration concerned with reciprocities of practices on the level of face-to-face interaction while system integration is when the reciprocal relations between who are physically absent.

Pozzebon and Pinsonneault (2006) discussed the terms used in structuration theory as the definition of structure as rules and resources, or set of transformation relations, organised as properties of social systems, systems as reproduced relations between actors or collectives, organised as regular social practices and legitimation is conditions governing the continuity or transmutation of structures and therefore the reproduction of social systems. It is fundamental to the duality of structure that the structural properties

of collectivities (rules and resources) not only serve as the media of social reproduction but also are reproduced as an outcome of the social process (Cohen, 1989).

Structure is not outside of social action, but exists only because of social action. Gingrich (2000) summarised Giddens's approach to social action as process, regular patterns of enacted conduct by active actors who interact with each other in situations in habitual, reflexive, reflective and more conscious ways. The term 'active actors' or acting subject' signifies Giddens's objective to link concepts relevant to the agent to the exercise of agency in social praxis (Cohen, 1989). Still focusing on actors, the limited capacity of agents to maintain a broad awareness of their conduct and others are much reflexive in monitoring silently on the level of practical consciousness and Giddens note the only time the discursive moments occur are when there are questions to clarify the circumstances which are not clearly understood (Cohen, 1989).

Gingrich (2000) defined systems as "patterns of relations in groupings of all kinds, from small, intimate groups, to social network, to large organisations" (p. 131) with an example of families, communities, circle of friends either in person or existing networks over space and time. Structures such as market exchange, class structures, political organisations and processes, and educational institutions all have these aspects to them. But if these enacted forms of conduct change, either because individuals make conscious decisions to change, or through less conscious forms of adjustments, adaptation and practice it can result in structural change as well (Gingrich, 2000).

Anthony Giddens seeks to explain the intersections between knowledgeable and capable human agents and the wider social systems and structures in which they are implicated. According to Johnston (2000), Giddens identified the central problem in modern social theory as a dualism between agency and structure that recurs across the whole field of the humanities and the social sciences. He also pointed out that Giddens proposed an

explanation for the chronic failure to reconcile the two which was to treat structure as establishing the parameters within which agency were able to exercise their own independent actions. These ideas was formalised in a model of the duality, not dualism, of structure that depended upon three fundamental concepts (see Table 2.1).

Table 2.1: Reflexivity, Recursiveness and Regionalisation

Reflexivity:	The production and reproduction of social life is a skilled accomplishment on the part of knowledgeable and capable human subjects (human agency) rather than an autonomic response to any trans-historical 'logic' or 'functional imperative' (functionalism).
Recursiveness:	Social life goes forward under conditions that are neither fully comprehended nor wholly intended by social actors but which nonetheless enter directly into the production and reproduction of the stream of social practices in which actors are involved: more technically, 'structure' – which Giddens conceives as sets of rules and resources made available by structures of signification, domination and legitimation – is both the medium and the outcome of the social practices constituting social systems.
Regionalisation:	The continuity of social life depends both on intersections between actors who are co-present in time and/or space and on relations that reach beyond the 'here and now' to constitute interactions with others who are absent in time and/or space.

Source: Johnston (2000; p. 798-799)



Apart from that, Giddens argued that time and space are two major aspects of his theoretical perspective (see Table 2.1). In particular, he emphasises space, proximity or distance and how these are mediated by technology and social structures and time continuity and discontinuity and the organisation of activities across time. Social practices ordered across space and time (Gingrich, 2000). The generalised ‘dis-embedding’ of spheres of social life through processes of time-space has dissolved many of the ties that once held the conditions of daily life in place and recombined them across much larger tracts of time-space to issue in the globalisation of social life on continuous and systematic basis (Johnston, 2000).

Conclusively, two themes to all concepts of structuration theory by Cohen’s (1989) understanding are, 1) it represents his own interpretation of the meta-theoretical status of structuration theory where he termed it as an ontology of potentials which he referred to basic ideas advanced by modern and post-positivist philosophers of science, and 2) addresses what he take to be the most fundamental concept in structuration theory per se, the concept of social praxis.

Cohen (1989) also felt that the duality of structure was not the key to all of Giddens’s efforts in reconciling conceptions of collectivities with the conceptions of action. He stated that it is evident emphasise of structuration theory involves ‘decentring’ of the subject in favour of the concern nature and consequences of the activities the social actors faced in everyday life. He further elaborated that,

“The ontology which structuration theory provides proceeds from an insight that is part of the common sense shared by social scientist and lay actors alike: all social life is generated in and through social praxis, where social praxis is defined to include the nature, conditions and consequences of historically and

spatio-temporally situated activities and interactions produced through the agency of social actors.”

(p. 2)

Ontology, the study of beings is what structuration theory wishes to achieve through social process. All in all, the structuration theory is not enclosed and may be used in many forms of situations. This is supported by Gingrich (2000) where he said that Gidden’s structures and systems also appear to be more dynamic and less closed, so that they can accommodate many different forms of power and social change. In regards to the constraint in society, there are three basic sources of constraint in social life (Cohen, 1989):

- a. Material constraint were dealt in conjunction with the physical and biological limits on the spatio-temporal movement and interactive capabilities associated with the corporeality of human beings and the obdurate qualities of the material world
- b. Negative sanctions refers to constraints deriving from the punitive responses on the part of some agents toward others
- c. Structural constraint originate exclusively in socially established conditions for action, and like all features of the social world these conditions are subject to variations, both historically as well as within given systems.

Furthermore, the structure is more specific and detailed and referred to practices which are structured along certain lines (Gingrich, 2000). These are firstly, procedural rules which is how the practice is performed, secondly, moral rules which is appropriate forms of enactment of social action, thirdly, material resources which allocation of resources among activities and members of society and lastly, resources of authority

which is the formal organisations of how space and time are organised, production and reproduction, social mobility, legitimacy and authority.

There are some similarities between institutional theory and structuration theory. Unlike these more traditional theories, institutional theory highlights cultural influences on decision making and formal structures. It holds that organisations and the individuals who populate them are suspended in a web of values, norms, rules, beliefs and taken-for-granted assumptions that are at least partially of their own making (Barley and Tolbert, 1997). There are resemblance to certain tenets of structuration theory as structuration theory and institutional theory acknowledge that cultural constraints do not completely determine human action but rather, institutions set bounds on rationality by restricting the opportunities and alternatives we perceive, and thereby, increase the probability of certain types of behaviour. Through choice and action, individuals and organisations can deliberately modify and even eliminate institutions.

Note that their definition of institution applies to various levels of analysis because it makes no assumption about the identity of relevant social actors. In Barley and Tolbert's view, both theories acknowledge institutions are created, maintained, and changed through action. Even so, they felt that structuration theory focuses on the dynamics by which institutions are reproduced and altered an issue that has been neglected by institutional theorists but provides little guidance on how to investigate the way in which everyday action revises or reproduces an institution.

According to Kilfoyle and Richardson (2011), the traditional literature has developed two separate views of the relationship of structure and agency and initiated a continuing debate on the subject. They further elaborated that the continuing debate is about the extent of free-will versus actions of people determined by social position and social norms. Approaches to structure and agency as mutually linked are in structuration

theory (Giddens, 1984) and in the idea of “habitus” and “field” of Bourdieu and Nice (1977). The ideas of Giddens and Bourdieu attempt to capture the concept of free-will and choice with the use of rules and resources underlying volitional action and the idea points out the struggle to amply grasp the relation of people and their social environment (Hitlin and Elder Jr., 2006).

Structuration focused on the mutual constitution of structure and agency (Ritzer and Goodman, 2004). As mentioned previously, Giddens (1984) argued that structure and agency are a duality that cannot be conceived of apart from one another. This is supported by Aston (2004) as he viewed structure exists through agency and the agents of the rules and resources between them will either assist or compel their actions. He also agreed with Giddens’s view that we can only see one side of the coin at a time and as a result, the way we interpret phenomena is through our own perceptual limitations.

Structure is the rules and resources that give similar social practices a systematic form and the structure will exists through the activities of human actors (Ritzer and Goodman, 2004). Aston (2004) question of whether we are free to act as we please or are we shaped and governed by structures. There are no arguments whether we are completely governed by structures and we are not completely free from it either.

Giddens acknowledged that although structure can be constraining to actors, it can also enable actors to do things they would not otherwise be able to do. The social system as according to Giddens is a set of reproduced social practices and relations between the actors (Ritzer and Goodman, 2004). In short, the structure has influences on the society and is neither a threat nor a treat among the social actors.

The bridge of subjectivism (the individual) and objectivism (society) with a perspective is called “constructivist-structuralism” (Bourdieu and Nice 1977). Ritzer and Goodman (2004) simplified constructivism as the social genesis of schemes of perception, thought

and action while structuralism focuses on the objective structures of language and culture that give shape to human action. In Bourdieu's point of view, there is a link between the individual and the society and the important link is the ability of individuals to invent and improve within the structure of their routines.

The individual's subjective experience (habitus) and its dialectical relationship with the wider world (field) is coined by Bourdieu (cited in Gauntlett, 2011). Habitus is the mental structure through which people deal with social world and is acquired by the result of long-term occupation of a position in this world plus while it operates as a structure, it changes the position of people when the habitus is no longer appropriate (Ritzer and Goodman, 2004). Similarly, habitus is where the people stand in the social world or in the society and that position can change when the people decided on doing something else after successfully or failing to establish the structure resulted from the occupation of the position in society.

A field is a network of social relations among the objective positions within it but it is not the interactions among the individuals rather it is a type of competitive market place where economic, cultural, social and symbolic power are used (Ritzer and Goodman, 2004). The correlation between field and habitus can be seen as there is a market (field) where the individuals are position in it and in the same time established a structure based on the position in the social world (habitus). This can be closely related to the state and the younger working household who has just position themselves in the housing market.

One of Bourdieu's interests is in reproduction of society and how the dominant classes retain their position (Gauntlett, 2011). According to Ritzer and Goodman (2004), Bourdieu's view of cultural mechanisms such as education impose a dominant perspective on the rest of the population in order to legitimate their power and this can

be done through the application of preferences where by, people will classify objects and along the process will classify themselves as well. Bourdieu (1984) explored the trappings of middle-class taste and the cultivation used by people as cultural symbols or signifiers as they seek to identify themselves with the higher class above them on the social ladder and to demonstrate their difference from those in the lower class below them. It is interesting to note that this practice of identifying themselves in which class in the social ladder is what is incepted in the minds of younger working households in owning a house, car or even lifestyles.

Aston (2004) pointed out that the agency approach is sometimes coupled with methodological individual that argues on the reality we can grasp is the actions of individuals and not as a group or classes. He further explained structure in terms of social, economic or political context where by action occurs and focuses on the situated human actor. He even relates behaviour as not a result of free-will but a structural factors product and that structure approach explains the actions according to the context in which it takes place and would hold the individuals in place and embodiment. As previously discussed, structure and agency goes together and there can be no agency without structures or vice versa that shape motives into practices and no structures independent of the routine practices that creates them.

Even though there are agreements on Giddens and Bourdieu's view of structure and agency, there are also disagreements and refutes. Margaret Archer has criticised the concept of structuration as "analytically insufficient" (cited in Ritzer and Goodman, 2004). Archer's focus is instead on morphogenesis where the process interchanges lead to changes in structures of the system and the end product-structural elaboration. Archer disintegrated structure and agency and reserves the term "structure" as a material of phenomenon and interests (Ritzer and Goodman, 2004). Jenkins (2002) refuted Bourdieu's notion by arguing that Bourdieu tends to assign more power to the social

context that resulted to the universe is what happens to people rather than the individual intervene in the world and collected their own destinies.

## **2.6 Agency**

Even though the focus is on structure and agency, an extensive outlook of agency pose a fundamental aspect of the framework. Hitlin and Elder Jr. (2007) discussed agency is a life course principle that represents the individual influences within the structural pathways. They designed a model which represents social actors who are supposed to understand their own skills and chances to construct a life course within constrained options. In human agency, Alexander (1993) focused on moments of freedom while Thoits (2003) deliberated on the ability to self-change and Bandura (2011) underlines four aspects of agency which are, (1) intentionally, (2) forethought, (3) self-reactiveness or self-regulation and (4) self-reflectiveness or belief of ability.

In addition, Giddens (1984) considered agency as to the capability of the individual in doing things and not their intentions in doing it. Bourdieu and Nice (1977) accounts the ways individuals take actions, tastes and behave that serve to reproduce social structures and in turn mould the individuals in what he termed as “habitus”. Ahern (2001) criticised Bourdieu’s notion that allows social reproduction through individual actions but moves far from the concept of free-will while Shilling (1997) and Layder (1997) feel that Giddens offer an overly perceptive view of agency and precipitately detaching the individual from the macro-social reality. Shilling (1999) expressed the failure of both notion to fully engage the ways of bodily senses and habits as the fundamental for human agency.

Human desires, wants and needs are either under-explored by Giddens or over-determined by Bourdieu and according to Sewell Jr. (1992), they have trouble explaining social transformation and innovation. Hays (1994) calls for sociological

understanding of agency that does not confuse it with individualism, subjectivity, randomness, absolute freedom, or action in general but recognizes it as embracing social choices that occur within structurally defined limits among structurally provided alternatives (cited in Hitlin and Elder Jr., 2007).

Furthermore, agency has been thought of alternatively as a capacity, an attribute, evidence of resistance and structurally defined property of persons and has been considered as something fundamental to human actions (all actors process agency-like capabilities) and as an individual-level variable (some actors possess more agency than others). Hitlin and Elder Jr. (2007) identified two kinds of agencies which are “existential agency” and “opportunity structure” of agency. They explained existential agency as when society does not “cause” individual behaviour in a deterministic way because the decisions we make is based on the reflection and adaptation of our social realities. Opportunity structure of agency in accordance to them is where there is a given existence of an external social structure that shapes the socialisation that constraints and enables people’s choices. Loyal and Barnes (2001) suggest agency stands for the freedom of the contingently acting subject over and against the constraints that are thought to derive from enduring social structures (cited in Aston, 2004).

In relation to extreme decision, Aston (2004) argued that individual does not act without reasons and reasons are taken in response to structures. He rationalised to the extent of human beings have agency; they act independently either to obliged or opposed the structural constraints and/or may re-constitute social structures through their freely chosen actions. This constitutes that every individual are free to choose their own pathways and deeds but there are still constrictions in any given situation.



Jurgen Habermas's theory deliberated on rationality whereby the rationalisation of the life-world involves growth in the rationality of communicative action and social integration is increasingly achieved through the process of consensus formation plus the rationalisation of the system involves the coordination of activities by monetisation and bureaucratisation (Ritzer and Goodman, 2004). Individuals understand their own skills and life opportunities within the constrained situation and the rationality of actions taken. Through institutional approach, the individuals are governed by rules and possibly limited resources but still has a window of opportunities to have preferences and own choice. In this study, the structure of the housing affordability problem towards actions that households take is in regards to the rational choice theory.

## **2.7 Rational choice theory**

It is important to emphasise the role of the rules is to structure open and competitive market situations (Ostram, 2005), in which case leads to intervention in the open housing market. This study argued that the institutions are a set of rules. A change in boundary rules (see Table 2.2) affects the number of participants' entrance and exits as well determining competitive whether oligopolistic or monopolistic but even so, the institutional analysis is not feasible for price services (Ostram, 2005). Ostram emphasised to assume institutional rules at the level are temporarily fixed for the purpose of analysis. Moreover, cultural mechanisms such as education impose a dominant perspective on the rest of the population in order to legitimate their power, through the practical application of preferences, people classify objects and in the process classify themselves (Ritzer and Goodman, 2004).

Table 2.2 Rules used to structure open, competitive market situations

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**Position Rules**

- Positions of owner, seller, buyer, police, suspects, judge and members of a jury are defined.

**Boundary Rules**

- Licensing requirements for individuals to become buyers and sellers are minimal.
- Buyers and sellers may enter and exit the market at their own initiative.

**Authority Rules**

- Sellers are authorized to decide how many legally owned goods to offer for sale at a price.
- Buyers are authorized to decide how much of a commodity to offer to buy at a price.
- Police are authorized to arrest those suspected to unlawful use of goods owned by others.
- Judges are authorized to determine rights and obligations of buyers and sellers in civil proceedings and of suspected thieves in criminal proceedings.
- Members of juries are authorized to determine guilt or innocence of those accused of theft.

**Scope Rules**

- Actors are limited in regard to the costs they can externalize on others. (Scope rules related to externalities vary substantially from market to market.)

**Aggregation Rules**

- Whenever any two actors agree to exchange goods they own, that transaction occurs.
- Police may make an arrest after a request or on their own initiative.
- Decisions made by a judge must be final unless challenged in a higher court.
- Members of a jury must vote before their decisions are official.

**Information Rules**

- Prices of current offers to buy and sell must be made available.
- No one is authorized to force information from others regarding preferences or costs.
- In some jurisdictions, seller may be required to provide specific information on content of goods.

**Payoff Rules**

- Seller retains profit, if any, after payment for inputs, interest and taxes.
  - Buyer retains consumer surplus, if any, after payment for goods.
  - Suspects pay fines, or spend time in jail, if judged guilty of criminal acts.
  - Buyers and/or sellers pay damages and costs to other parties if ordered to do so by judge.
- 

Source: Ostrom (2005, p. 835)

The origin of the rational choice theory or choice theory is from the field of economics. In economics, it assumes money is the motivation of people by making profit. Because of this assumption, this has allowed predictive measures and a formal construction of human behaviours. The success of rational choice theory has led interdisciplinary fields to apply this theory such as in sociology and political science. Social scientist has been documented in using rational choice theory in housing (Baanders, 1996) and other examples. According to Scott (2000), sociologist and political scientists have tried to build theories around the idea that action is fundamentally rational and individual will calculate their cost and benefits before proceeding to their course of action. These researchers in social science, per se, have tried to build theories around ‘action’ that is ‘rational’ in character and that individuals calculate the likely costs and benefits of any action before deciding what to do.

The basic of all rational choice theory, whether in mathematical forms or non-mathematical forms, is “the assumption that complex social phenomena can be explained in terms of elementary individual actions of which they are composed” (Scott, 2000:2).

According to Elster (1989, p. 13),

“The elementary unit of social life is the individual human action. To explain social institutions and social change is to show how they arise as the result of the action and interaction of individuals.”

Other main assumptions of rational choice theory includes, individuals are motivated by preferences, individuals act on the basis of the information that they gather about the situation that they are facing and there is no possibility for individuals to achieve the things that the individuals want (Scott, 2000). For which in the case of housing affordability of younger working households, the assumptions of rational choice theory

that will form the framework of this study is a mix of previously mentioned assumptions. This is because the rational action towards purchasing a house is within their financial capability when they have started working after graduation with a bachelor degree. This led to the assumption based on this rational choice theory that the individuals (younger working households) are motivated by the preferences in housing and acts on the information that they have (house prices are too expensive and they have to purchase now because it will be more expensive if they wait) and thus drove them to the reality of the impossible for them to purchase a house (housing affordability problem).

Housing affordability problem are subjected to three parts. As Burke (2007) pointed out that there are three separate but interrelated problems which are rental affordability ('locked out'), initial purchase and getting loan ('getting in') and also monthly repayments ('staying in'). This study endeavours all of these elements of housing affordability problem. Apart from that, there are other assumptions as well. The individuals will make choices in achieving their goals based on their capability or means, the individuals must anticipate an alternative action and decides on which will be best for them and ultimately, the individuals will choose what will in return give them the best outcome. This will frame how the problem in housing affordability in this study. To make it clearer, the problem of being 'locked out' is from the assumption of alternative choice that is best from the individuals, 'getting in' and 'staying in' from individuals' capability to achieve their goals.

Assumptions of human nature includes individuals have a free will and will maximise their utility. This means that it is human nature to have a freedom of choice whereby they make their own personal choice based by environmental factors such as beliefs and financial capability. Apart from that, individuals also maximise their utility or in other words their happiness, basic necessities and resources by weighing benefits and costs of

their actions before deciding on appropriate behaviour. As there are many assumptions in the rational choice model, the one most important assumption is that individuals desire happiness, wealth and so forth. By this desires, the individuals will take actions in a 'rational' way by choosing to operate within their means in attempting to achieve this desired goals for the lowest cost.

The reason behind why a choice could potentially be the problem of housing affordability among younger working households is it is a personal choice. When it is a personal choice, the understanding of is what rationality or rational choice is based upon. The classical school of thought suggest that the human being is a rational actor. This rationality involves a means calculation where individuals are free to choose based on their rational calculations.

The choice can be controlled through perceptions and understanding the capability in terms of finance to enter homeownership or the huge debt that they have to bear (and wealth creation) that decide on their judgement of the social good, in this sense, a house. The responsibility of ensuring that the individuals are capable in owning a house is of the state. The state in this sense is responsible that individuals have a house to live in and preserving the common good through an intervention in laws and subsidised schemes. The rational choice approach can only explain what people do, it can explain why people might institute a norm and might then enforce it, but it cannot explain why they should change their values for this is what internalisation amounts to (Scott, 2000).

Even though, the rational choice theory has become the paradigmatic way of analysing behaviour, the problem in this study is not on a psychological sense but rather an action that derived towards the housing affordability problem. Scott (2000) argued norms are intertwined with the action taken rather than normative values pose an externality towards the rational action. In this case, the study rejects any normative values to in the

empirical study. An interesting note on what Scott elaborated on the actions taken by an individual are towards getting a rewards from a certain action by avoiding punishments.

This rational choice theory has been use in criminology which helps to explain their action towards crime for an example. Moving forward, the behaviour towards taking an action that is deeply involved calculating the cost and benefit of the best outcome of action. Just as individuals work in exchange of money and the money will buy them food and other basic needs (as related to Maslow's theory). Fulfilling the most basic form of needs derive towards the next step of rational choice in individual's everyday life. In housing however, the rational action taken towards purchasing possibly the single most expensive thing in their life requires the calculation of cost and benefits.

## **2.8 Identifying housing affordability problems: Structure and agency approach**

In sum, it is argued that the institution is a set of rules from the state that influenced the decisions of households (see Figure 2.3). The set of rules is for the benefits of households in the society. However, when market posed difficulties to households, the state holds the responsibility to control the situation through this set of rules. The significance of this is that the state has to react when there is a failure in the segmented market, which is the housing market for YWH. The clear problem of the ineffectiveness of state's rules in the housing market has caused housing affordability problems among YWH.

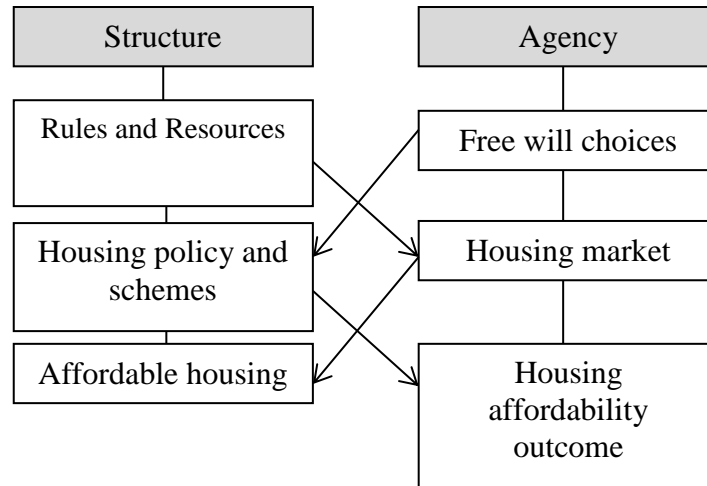


Figure 2.3 Structure and Agency model  
Source: Adapted from Jessop (2002)

Due to this, it is further argued that social changes in different group actives have contributed to the housing affordability problems among YWH. The changes in the social setting have resulted to the influence of individuals within structural pathways. The social reproduction of new generation (YWH) is an important factor for the state to identify housing affordability problems. In relation, this study intends to highlight the influences on housing choices and the formal structure in housing affordability problems. The rationality of YWH to purchase a house is embedded in their basic needs. Therefore, it is vital to comprehend on the importance of a strong structure to assist YWH in making choices to become a homeowner.

## 2.9 Summary

This chapter emphasised the framework of this study which is within the context of housing policy and schemes in relations to the role of state and state intervention. It is important to recognise that the focus will be more to the social aspects of younger working households and also the perceptions to achieve home ownership status in an urban area. The structure and agency approach suggested that free will and choice of

individuals is within structured opportunities through the use of rules and resources (Hitlin and Elder Jr., 2004). It is then argued that the problem of housing affordability among YWH is within the scope of housing policy and schemes. This demonstrated the need for the state to intervene in providing affordable housing, particularly for YWH. It is also discussed that assumption of a failure in a segment of the housing market garnered towards the state to play its role in maximising housing welfare of YWH.

The discussion of identifying housing affordability problems among YWH led to two important factors to consider. Firstly, the structural pathways in housing policy and schemes have disappointed YWH because of the difficulties to compete in the open housing market and the gap of affordable housing is yet to be filled by the state. Secondly, the capability of YWH in doing things and not their intention in doing it is influenced by the formal structure. The rational action of YWH in choice of housing leaves no space of desire and passion due to the rules and resources. The dependency of structure and agency in this study demonstrated the outcome of the housing affordability problems. Additionally, there are many research studies that highlight the housing affordability problems in the international perspectives. The next chapter will discuss on the parameters of housing affordability problems among YWH.



## **CHAPTER 3**

### **HOUSING AFFORDABILITY PROBLEMS AMONG YOUNGER WORKING HOUSEHOLDS**

#### **3.1 Introduction**

Housing affordability has become a pressing issue due to certain factors such as growing population, speculation in house prices, economic growth and inadequate housing supply (Mak *et al.*, 2007). Problems in housing affordability are experienced in many countries. As discussed in the previous chapter, the role of state in intervening housing affordability problem are through the mechanism of housing policy and also housing assistance in the form of subsidised housing scheme. Although, other countries implemented different policy and forms of housing assistance, there are lesson to be learned in reviewing housing affordability problems in the international perspective.

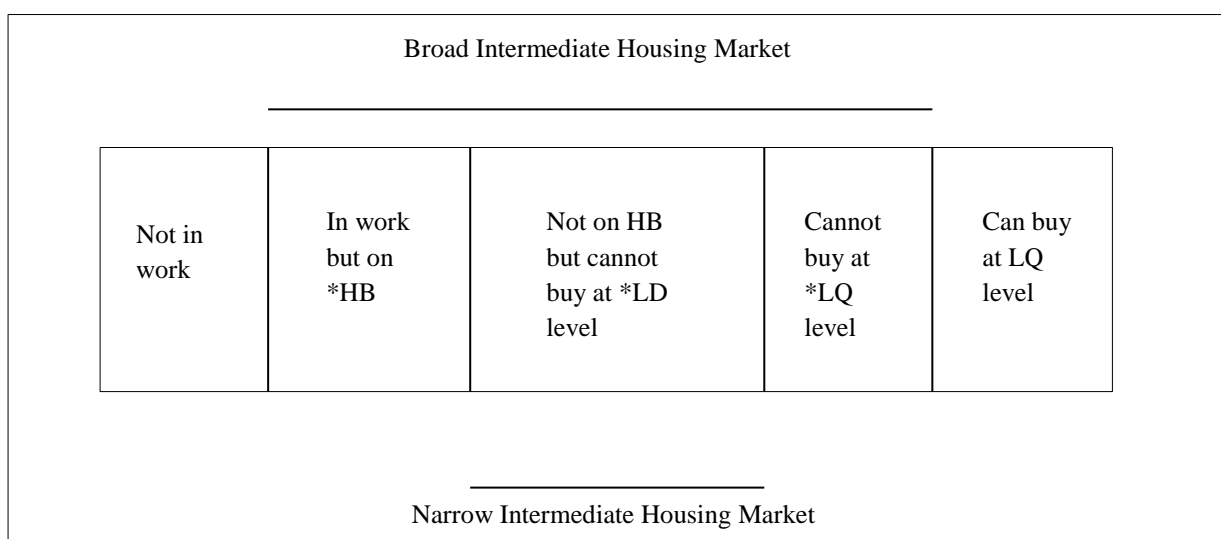
The significant of this chapter is to identify and classify variables of housing affordability problems among YWH. This chapter focuses on the multi-dimensional nature of what conformed housing affordability as a problem among YWH. This is followed by an examination of state's response to housing affordability problems across the international spectrum. The chapter is set to argue that housing affordability problem is influenced not only by the relationship between house price and household income but also housing choice. Hence, it is important to address the distinct roles played by the state, free market and younger working households. This chapter will also answer the first research questions in the international perspectives.

### **3.2 Housing affordability problems and younger working household**

As discussed in Chapter 2, YWH who are members of middle income household have set their sights on affordable housing. These affordable housing are yet to be fulfilled by the market (Abdul Rahman, 2013). The problem of providing affordable housing is not new. However, the provision of affordable housing to close the gap in the market for YWH is a problem. In the study in UK, younger working households are determined to be between 20 to 39 years old (Wilcox, 2003; 2006; 2008). The age of YWH is considered as the breadth of first time home buyers. Wilcox (2008) argued that there is an Intermediate Housing Market (IHM) which is where households who are not eligible for housing benefits but cannot buy at the lowest decile of house price level in the housing market (see Figure 3.1). Ortalo-Magné and Rady (1999) observed co-movements of housing prices and owner occupancy rates and explained that there is an increasing rate of young households in homeownership because of the deregulation of the mortgage market which translated to easing the access to mortgage credit for young households. However, they concluded that decrease in interest rates alone is not the reason of increase owner occupancy rate among young households but also because of savings rate.

Additionally, the increasing demand of housing is caused by young households to find their own house and leave their parental homes (Green and Hendershott, 1996). Boehm and Schlottmann (1999) discovered that the average child of a homeowner is significantly more likely to achieve a higher level of education and thereby increases the likelihood that children will also become homeowners. They further argued that on average, parents who own homes are wealthier than those who rent and can provide financial help. This emphasise financial help from parents who are homeowners capture an effect towards the problems of housing affordability among YWH. However,

Andrew *et al.* (2006) disagreed and argued that young adults primarily choose to remain in their parental homes than private renting and owning a house.



\*HB = Housing Benefits; LD = Lowest Decile; LQ = Lowest Quartile

Figure 3.1 Intermediate Housing Market  
Source : Wilcox (2008)

The point of having a higher education level will determine young households to own a house or not has a negative relationship. While Alexiu *et al.* (2010) agreed that education has effects on life quality in many social fields and is strongly related to socio-economic status, they found that the two variables of education and housing are not connected. They argued that good housing does not relate to educational qualifications but rather on economic success.

Furthermore, there are many contributions to the housing affordability problem among YWH. The problems are mainly in the scope of economy, social and political context. Furthermore, it is argued that YWH are considered to be first time home buyers and are having problems in housing affordability. Although it is discussed that education has no connection to purchasing a house, the variable of education is important in perception of socio-economic status. Therefore, this study deliberates on YWH who are in the middle

income households because of their higher level education of at least a bachelor degree. The housing affordability problems are further discussed to answer the research questions.

### **3.3 Housing affordability: Problems and approaches**

Thalmann (2003) argued there are two potential affordability problems which are, if income minus the cost of standard housing consumption is no less than standard non-housing expenditure and if the cost of standard housing consumption does not exceed a given share of income. However, there are other problems in a different perspective as well. This persistent affordability problem focused on the accessibility restriction of potential homeowners in the private housing market (Mak *et al.*, 2007). The restriction to access the housing market is led to indications of housing affordability problems (Wilcox, 2003).

As previously discussed, Ortalo-Magné and Rady (1999) observed co-movements of housing prices and owner occupancy rates can be explained as an equilibrium response to income and credit market shocks. They argued that in the period of rapid gross domestic product (GDP) growth followed by the deregulation of the mortgage market resulted into repeat home buyers were larger than those of first time buyer properties. In relation to this, Green and Hendershott (1996) discussed that the movement of baby boomers into adulthood impacted the ratio of household formation to population growth rises. This led to the understanding of YWH as off springs of the baby boomers and are the first time buyer properties in this context. In contradiction, with easier access to credit loan, YWH can become homeowners because they are allowed to borrow a higher proportion of the house price.

Distribution of income plays an important role as well especially in securing housing loan. From income growth, there are potential of increasing savings rate and because of

this decrease in interest rates would not increase home ownership rate (Ortalo-Magné and Rady, 1999). In general, income is personal and subjective towards a household. There is evidence of education influence the category of houses; either, low cost houses, medium cost houses or high cost houses (Norazmawati, 2012). However, Alexiu *et al.* (2010) argued that education and housing is not connected in a linear or direct correlation, even though, education effects on life quality in many social fields and is strongly related to socio-economic status. He further concluded that good housing does not relate to educational credentials but economic success. Even though, there is no certain relation between education and housing conditions, in terms of housing choice, the norms of attaining good education is associated to a better employment with a higher income. Thus, it is perceived that YWH are able to afford good houses.

In contrary, Boehm and Schlottmann (1999) demonstrated that the average child of a homeowner is significantly more likely to achieve a higher level of education and thereby a higher level of income. Additionally, from their analysis, they concluded that having parents that are home owners dramatically increases the likelihood that the children will be homeowners as well. However, Andrew *et al.* (2006) argued that young households choose between remaining in the parental home. They concluded that household characteristics that influenced the probability of transition to homeownership are permanent income and higher education level beyond high school level. Norazmawati's (2013) recent study proved that education has an effect towards homeownership in line with Andrew *et al.* (2006).

Additionally, higher volatility of house prices slows down the transition to home ownership among YWH (Andrew *et al.*, 2006; Lee, 2009). Even more, the tenure choice to own a house weighs on homeownership benefits. There are four types of homeownership benefits which are, first, the single largest investment, second, home ownership leads to increased personal wellbeing, third, home ownership leads to

improved neighbourhood quality and stability and lastly, increased demand for owner-occupied housing has an economic “multiplier” effect (Boehm and Schlottmann, 1999; Quigley and Raphael, 2004; Munch *et al.*, 2008). In a study by Munch *et al.* (2008, they discussed that home owners tend to be older, likely to have children, less likely to live in the city centre, a higher education level, more working experience and a higher income. As compared to the YWH, this could imply that the households’ characteristics of a home owner are as all of the above.

However, the scenario of housing affordability problem changes with time. The evolution of the real estate market is described as a result of sudden liberalisation of prices and rents together with a surge of demand from foreign investors and a large number of major development projects of international standard (Mak *et al.*, 2007; Tan, 2011). Balancing the demand and supply of housing and also the foreign investors’ entrants to the local housing market is important. This is to prevent households from being shut out from their own local housing market. Apart from that, the impact of influx of foreign investors increases living standards and forced households to live with their family and colleagues (Mak *et al.*, 2007). Due to this, YWH are influenced by the increasing living standards and their income could not sustain their expenses and thus experience housing affordability problem.

Having established the rationale for housing affordability problem especially among YWH, the next issue to be considered is the three elements of what indicated and corresponded to housing affordability problems. The three key elements identified are house price, household income and housing choice.

### *House price*

House price plays an important role in housing affordability. Price is considered to be the most reliable index of housing market (Stutz and Kartman, 1982). Due to this important factor, it merits special attention especially in housing studies. Market forces and demand and supply indicates house price. In a global macroeconomic situation, the linkage between house prices and macroeconomic developments in bidirectional with investment showed that housing markets are interconnected across countries (Beltratti and Morana, 2010). This is supported by Lee (2009) who discussed housing price volatility is an impact from global financial crisis.

This warrants an outlook on what influence the housing market. According to Phang (2009), housing regulation has a housing market implication that includes expansion of the targeted housing sector over time, the relative constancy of actual housing expenditure to income ratios for targeted household groups, income inelastic housing demand and price inelastic housing supply. He argued that these forces are what drives the house price changes and are not relatively due to population growth rates and construction costs.

Apart from housing regulation, there are other influential problems in the housing market. Bredenoord and Verkoren (2010) disagreed with Phang on the effect of population growth towards the housing market. With rapid urban growth that is simultaneous with population growth, it oppresses households who are not able to afford houses in the housing market. Due to this oppression, households who are not able to purchase a house have to rely on their survival skills and build their own dwelling which is known as self-housing. In this situation, housing market plays a role in determining the type of houses and if the housing market is not affordable, serious intervention from the government is needed in order to prevent slums.

The above discussion argued that identifying the housing demand is important in determining the house price. In the context of this study, when younger working households has the tendency to 'leave the nest' means there is greater demand of housing (Stutz and Kartman, 1982). The opportunist of the housing market who is either investors or speculators will send the house price upwards due to this increasing demand from younger households.

Apart from that, the availability of mortgage finance also increases demand in housing (Bredenoord and Verkoren, 2010). The changes in the quantity of housing demand will affect real prices only if the long-run housing supply is positive (Green and Hendershott, 1996). However, they revealed that the age-demand relationship expected that aging population will lower real house prices. They added (p. 478),

“Demand grows by 1-2% annually after 2000 if we use the partial, rather than total, derivative (if permit households to retain their education and the higher income accompanying it as they age) but these changes are trivial relative to either the surges in the 1970s and 1980s or the plunge of the 1950s and changes in real house prices in the next 30 years due to shifts in non-demographic variables such as real constructions costs and real after tax interest rates”

House price is what determined the affordability of houses. However, housing supply is relatively house price inelastic (Phang, 2009). Supply side and demand side explanations for the decline of housing affordability are not mutually exclusive and does not lead to increase in house prices if housing demand is stable or declining (Matlack and Vigdor, 2008). In contrast, Mak *et al.* (2007) argued that demand and supply are interactive and tend to reinforce each other and while there is an increase in housing demand, the supply lags behind housing demand.



Rapid economic growth, increase in population, liberalisation of the housing market and inadequate supply of affordable housing are the main reason behind the increase in house prices (Mak *et al.*, 2007). House prices have increased markedly in many industrialised countries in recent years, apparently backing the strength of households' consumption in a context of otherwise weakening activity (Ayuso and Restoy, 2006). One must carefully distinguish between the prices of owner-occupied units and rents charged by landlords, higher prices in the owner-occupied dwellings may not be necessarily represent an affordability problem, provided these prices are reflected in the ultimate resale value. It is the problem of inadequate cash flow in the short run and higher rents may present an affordability issue for tenants and younger working households in terms of housing prices (Stutz and Kartman, 1982).

According to Green and Hendershott (1996), real house prices are determined by the willingness of households to pay for and willingness of developers to supply a constant-quality house. As previously discussed on housing demand in influencing house price, Green and Hendershott rejected this notion and argued that demand is irrelevant and house price is solely determined by supply conditions. However, without housing demand, housing supply is difficult to determine. Hence, housing demand is relevant in this context as an indicator towards supplying houses.

Ayuso and Restoy (2006) viewed that overvaluation is attributable to the sluggishness of housing supply in the presence of large demand shocks. The root cause of overvaluation is that a house value is towards its location (Kiel and Zabel, 2008). As Stutz and Kartman (1982) argued that housing is not homogenous, Kiel and Zabel (2008) agreed and portrayed housing as an unusual good in three dimensions which are heterogeneity, durability and immobility. The immobility determines the value of the house because of location. They further concluded that there are other characteristics

that influence house value which is the general upkeep of the neighbourhood, neighbourhood characteristics and amenities.

Apart from that, Lee (2009) discovered that the volatility of house price is subjected to rise in response to bad news and inflation is a determinant in housing price volatility. The housing price volatility also led to price discrimination in housing. As mentioned previously, YWH are considered to be the victim of the house price game where the benefits are to those who are already homeowners and are older with more purchasing power than them. Ihlanfeldt and Mayock (2009) showed evidence that housing price discrimination exists in the housing market. They concluded that the housing price discrimination is less in neighbourhoods with more educated homeowners. Even so, prices of house are affected by bargaining skills and power of the buyers and sellers. Moreover, heterogeneous products such as a house and automobiles are typically trade in the market only in a single transaction. These beckon speculators in the housing market and caused a higher volatility in housing price.

Mak *et al.* (2007) discussed that with changes of time, the real estate market changes as well. From this viewpoint, Ihlanfeldt and Mayock (2009) agreed and claimed that with the passage of time there will be less house price discrimination as existing older cohorts are replaced by younger cohorts with regards to the increasing number of college education graduates. Education influenced housing affordability (Norazmawati, 2012) and with economic growth and increasing number of graduates, it is recommended that with time, the problem of YWH in housing will be solved.

This intertwined problem of the house price as an affordability problem made it crucial in formulating an effective housing policy. As discussed above, there are factors that enacted house price as a housing affordability problem. Similarly, the common influence of changes in house price is rapid economic growth, increase in population

and cost (Case and Schiller, 1998; Mak *et al.*, 2007) but, Phang (2009) rejected these influences and argued that house price changes are less dependent on population growth rates and construction costs because a house is a need. When housing demand over runs the supply of housing due to reasons of increasing income growth and increase labour forces, the inflation cuts into the real purchasing power of households especially among YWH. Moreover, King (1990) argued that a higher demand for homeownership means a higher real permanent income (cited in Ortalo-Magné and Rady, 1999).

### *Household income*

In general, housing affordability is concerned with the relationship between housing costs and household income (Henman and Jones, 2012). There are a few perspectives in terms of the relationship between housing costs and household income. Yates (2008) for example, defined housing affordability problem as the result of housing costs for both purchasers and renters increasing faster than household income. The problem for household especially younger households is when living costs are perceived to be too high in relation to household income.

The perception of income is not enough to cover housing costs and non-housing expenditures are a problem in housing affordability. MacLennan and Williams (1990) suggested that affordability implies where the price of the house does not impose ‘an unreasonable burden’ on household income. In similar view, Stone (2006) argued that affordability is a challenge each household faced in balancing the housing costs and non-housing expenditures within the constraints of their income. The perception of imbalance of housing cost and non-housing expenditures clearly pose a problem that is related to households’ income.

Apart from that, inequality in the distribution of income is a common problem in housing affordability. Matlack and Vigdor (2008) suggested that income increases at the high end of the distribution and can raise house prices paid by those at the low end of the income distribution. They further explained as income inequality grows the residual income of households' declines and crowding increases significantly. Younger households are considered to be between the low and middle end of the income distribution. This is because there are relatively young in the labour force market and earns a smaller scale in salary before gaining more working experiences. Bramley (2012) agreed with the problems to be more common with younger households due to lower incomes earlier in their work careers and limited asset accumulation and also their greater reliance on the private rented sector.

In general, there is a relationship between house prices and income. It is highlighted that in housing affordability for YWH, the house that they own is an asset while the affordability to pay the house is through labour income. The theoretical model by Davidoff (2006) revealed that consumers with mean-variance preferences optimally purchase less housing as the covariance between labour income and increasing house price. Furthermore, households will wait for the right moment to purchase a house and generate more money when house price is high. In addition, when there is a positive correlation between house price and income, households are in reality exposed to greater risk in the financial markets.

Additionally, there has been evidence of households in the lower tail of the income distribution is now less able to afford a house than they were a decade ago (Bajari *et al.*, 2005; Matlack and Vigdor, 2008). With YWH considerably to be at the lower tail of the income distribution, it questions if time would eventually decrease the housing affordability for the younger cohorts or otherwise. This is because when income growth is not in tandem with housing affordability (increase inflation), the increases in house

price is good for homeowners who are selling their house but bad for households who are in the market to purchase a house (Stutz and Kartman, 1982; Bajari *et al.*, 2005). Furthermore, severe housing problems are defined as a housing cost burden above 50 percent and occupying severely inadequate units or both while moderate housing affordability problems involve a cost burden between 30 percent and 50 percent of income, occupying moderately inadequate units and overcrowding (Dolbeare, 2001).

According to Wan *et al.* (2010), paying the 10% down payment to purchase a house is also a problem for middle income households. As emphasised early, YWH are a subset of middle income households and therefore are facing similar problems. This has an effect on household income due to the difficulties to save a significant large amount of money to pay the down payment. With rising house price, problems in household income is critical to ensure YWH can access the homeownership market.

As discussed in previous sections, housing affordability problems among younger households are presented by inadequate cash flow. When the real required payments associated with homeownership increased rapidly over time, the financial challenge of purchasing housing is perceived to be more difficult (Rappaport, 2008). The uncertain income future posed a major limitation towards the ability to become home owners as well the subjectivity of economic success. Even more, what draws attention is whether housing cost or household income is the problem of housing affordability (Burke, 2007). However, housing choice also influence housing affordability problems.

### *Housing choice*

Housing choice is actions taken by households to decide on their choice of house. This includes tenure, type of house, location and neighbourhood. As previously discussed in chapter 2 on the rational choice theory, the housing choice of younger households contributes to the housing affordability problem as well. The initial housing choice of younger households is either the preference of owning a house or rent. The tenure choice plays a significant role in understanding where younger households stand in housing affordability, of which, means that housing affordability in terms of purchasing or renting. In this context, housing affordability problems in housing choice is seen in the perspective of purchasing due to the framework on the right to housing and it is the state's duty to ensure household enjoy this right.

Once households have reached a considerably accepted socio-economic status, the choice of location of the house and neighbourhood is important. Public houses are perceived for low income households and younger households are more likely to participate in private housing market (Fu *et al.*, 2000). The quality of local public goods influence house price and this indicate that households care for the general upkeep of the neighbourhood as well as the distant of schools and town centres (Kiel and Zabel, 2008). This influence the housing choice as well where younger households are looking for a similar neighbourhood setting that is similar to where they grew up.

Apart from that, Addae-Dapaah (1999) claimed that a house is more than a shelter with all the requisite amenities and represents an important status symbol and personal investment (cited in Tu *et al.*, 2005). Due to this, housing choice is important to households. The question stands at how will choice in housing affects housing affordability among younger households. One problem will be to reject low cost houses and location that is near squatters. Additionally, when younger households desire to

own a beautiful house that is larger in size and at prime location, they may choose to infringe residual income where they will risk material hardship (Bramley, 2012). Moreover, if housing choice does not meet with what younger household desire, the household may live with others such as family and a large group of friends.

Another view of housing choice in financial perspective is when younger households are not capable to purchase a house of their desire, options similar to Employees Provident Fund (EPF) (in Malaysia) to pay off their mortgage loan and down payment. Even though, this enhanced homeownership among household, it presents a problem as well. Tu *et al.*, (2005) deliberated that this present a problem when the household withdraw money from their Central Provident Fund (CPF) (in Singapore) accounts every month to pay mortgage loan repayment. This will caused households to have less money in their retirement savings which will adverse outcomes when households get older. According to Alexiu *et al.* (2010), there is a negative relationship between employment choice and housing preferences or affordability. This resulted to time consuming to travel to work place. This relationship shows that housing choice does not depend on work place and employment choice, rather due to other factors such as neighbourhood characteristics as Kiel and Zabel (2008) concluded.

Bramley (2012) deliberated that younger households rely on the private rental sector. However, there is positive impact towards young homeowners in the society. Ihlanfeldt and Mayock (2009) argued that young homeowners will generally improve race relations and will shaped racial attitudes. This positive impact of younger households towards homeownership will reflect less house price discrimination. However, Andrew *et al.* (2006) argued that younger households choose to remain in their parental house before private renting and lastly owning.

The key arguments of housing choice as a problem of housing affordability among YWH is based on two main aspects. Firstly, it is the alternative choice of tenure when there is difficulties to own a house. This includes whether YWH prefers to rent first or live with their family. Secondly, it is important to discuss the housing choice in the market. This includes the house price, type of house, neighbourhood and location. The significant of addressing this issue of housing choice in housing affordability problems among YWH will help to understand the underlying problems to purchase a house. In sum, this suggests that the housing affordability problem among younger households is an inter-related problem between house price, household income and housing choice.

#### *Approaches to measure housing affordability*

Measuring housing affordability is pertinent in the housing aspect. The most general form of measurement is the ratio approach (Rappaport, 2008). Thalmann (2003) argued that affordability is conventionally measured by the ratio of housing costs to income and housing is considered to be not affordable if it excessively crowds out other expenditure. He later added that the set of indicators to measure affordability distinguished households whose consumption depends directly on housing market or simply because their income is too low.

In the ratio approach, the ratio comparison gives the share of annual resources devoted to housing and serves as an intuitive benchmark to assess affordability (Rappaport, 2008). An increase in the ratio indicates that house payments are growing faster than income, suggesting affordability has declined. According to Stone (2006), the ratio approach asserts that if a household pays more for housing than a certain percentage of its income, then it will not be enough for other necessities. Despite the widely acceptance of this approach, no theoretical or logical foundation are for this concept (Stone, 2006). Stone (2006) argued that this numbers that ratio represents will imply the



lower the income, the lower amount for non-shelter needs and that the normative ratio must diminish with income. Rappaport (2008) agreed that one of the drawback of the ratio measure is it can give a misleading measure about household welfare.

Rent or repayment to income measures based on a fixed proportion 25 or 30 percent of income have become part of the measurement and policy orthodoxy (Landt and Bray 1997). While useful, they failed to address the real meaning of affordability. A major assumption of 25 and 30 per cent benchmarks is that rent or mortgage payments have first claim on a household's budget, i.e. public or private housing tenants are expected to pay at least 25 percent of their income on rent and if this does not leave enough for other essential expenditures then that is an income problem, not a housing problem. This assumes that housing is not a key component in any income insecurity system, and that income supplements are the appropriate way to ensure adequate standards of living, not housing. They also often assume that the same ratio is appropriate regardless of income, or household structure.

Another form of measurement is the residual income approach. The residual income approach arises from the recognition that the ratio approach basically implied towards non-housing expenditures are limited by how much is left after paying for housing (Stone, 2006; Rappaport, 2008). This means that a household has a housing affordability problem if it cannot meet its non-housing needs at some basic level of adequacy after paying for housing. The appropriate indicator of the relationship between housing costs and incomes is thus the difference between them which is the residual income left after paying for housing rather than the ratio. Stone (2006, p. 163) gave an example of a situation:

“Two households with comparable disposable incomes and suppose that one consists of a single person while the other consists of a couple with three children, obviously the larger household would have to spend substantially more for its non-shelter necessities than the small household to achieve a comparable quality of life. This implies that the larger households can afford to spend less for housing than the small household with the same income. Now if we compare two households of the same size and composition, but with different after tax incomes, both would need to spend about the same amount to achieve a comparable standard of living for non-shelter items. The higher income households could thus afford to spend more for housing, both as a percentage of income and in monetary terms.”

Rappaport (2008) supported Stone and added that the comparison between required payments and resources is calculated simply by subtracting payments from after tax income, rather by than dividing the former by the latter. Operationalizing a residual income standard involves using a conservative, socially defined minimum standard of adequacy for non-housing items. Thus, while the residual income logic has broad validity, a particular residual income standard is not universal but is socially grounded in space and time. Stone’s residual approach suggests that affordability problems for families with children are rather more severe than usually thought, with implications for housing production needs as well as for the allocation of subsidies for existing housing.

However, the residual housing cost is difficult to determine, as it requires some subjective benchmark of other necessary expenditures. Perhaps, Stone (2006) proposed that first-time home buyer programs incorporate a residual income analysis at the very least for advisory purposes if not as a formal criterion. The analysis would begin with determining how large a mortgage payment a prospective buyer could afford based on the existing ratio standards used by the program.

The amount of this payment would be subtracted from gross income, as would non-housing debt payments and personal taxes, to ascertain the amount of residual income available for non-housing necessities and non-mortgage housing expenditures. Subtracting estimated non-mortgage housing costs (perhaps including savings for major repairs, etc.) would yield an estimate of residual income for non-housing necessities. The latter figure would then be assessed to determine whether it is reasonable and realistic given the applicant's individual circumstances or a normative non-housing standard. On this basis, some applicants might be reassured that they could proceed without undue stress on their finances, while others might conclude or be advised that, even though they have met the ratio criterion, it would be unwise to proceed.

Research to assess the overall scale of the affordability problem should therefore, include a range of affordability measures with a view to comparing the differences and the associated policy implications. Whether a ratio or residual measure is employed, it is important that data collected accounts for household composition as different households have different needs in relation to housing and other expenditures. The increasingly popular solution of using equivalence scales to take these differences into account needs to be examined as do measures that vary spatially.

Affordability also needs to be seen in terms of related housing objectives. A household or a location could achieve high afford ability in terms of a benchmark measure; say a number below the 25 per cent level. This, however, may mean simply that the household is incurring other costs that actually reduce their well-being or, in the case of an area as a whole, that it is so amenity poor that cheap market prices (which reflect the amenity) create high affordability.

For example, Single Parent A on the same income as Single Parent B lives in an inner city location and has good access to schools, shops, and employment opportunities. As a result, she has no car and uses public transport or walks (as do her children). Household B 31 per cent- that is, she is deemed to have an affordability problem. Household B has responded to the higher costs of the inner city by moving to the outer suburbs. Her rent is RM500 per month less but because of poor access to all services and amenities has to run an old car and has transport costs RM400 per month higher than Household A. She has an affordability ratio of 25 per cent and is deemed unproblematic. This illustrates that we cannot assume that achievement of low affordability means an unproblematic housing situation. Ironically, little work has been done on the relationship between high housing affordability and the trade-offs that households have to make achieve affordability and the associated measured.

The latter point also raised another important issue in conceptualisation of affordability issues and problems and that is whether too much affordability is a problem. A number of researches suggested that there remain areas of good affordability e.g. certain outer suburbs and many regional centres. The reasons they remain affordable is because of negative perceptions by the wider community as to their poor amenity, public transport and employment opportunity.

The risk in such high affordability areas is that they are drawing in, and will continue to do so, the lowest income households, as these are the only areas they can afford, while, at the same time, higher income residents are leaving for areas of higher amenity and the perception that their area has a limited feature. In the long term this process creates areas of limited social and economic sustainability. The affordability debate should, therefore, be seen not just in terms of creating more affordable housing in high cost areas but improving amenity and opportunity in low cost areas so that a wider socio economic range of households will choose to live in such areas. This suggests very

different policy options, e.g. spatially specific infrastructure or home renovation programs and creates a different understanding of how to achieve affordability.

Rappaport (2008) offered an alternative measure of affordability which is the arithmetic difference between income and required payments. This measure shows how much income households have left over after they purchase a representative, constant quality of housing. This residual income can be used to purchase non-housing goods and services or to save for the future. Unlike ratio measure, residual income correctly reflects household welfare. If residual income affordability is higher in one year compared to another, household welfare has improved. The choice of a representative household, a representative house, and a means of comparing income with required housing payments together provide a framework for measuring the affordability of housing over time. Required payments depend on house prices, interest rates, tax incentives, and the quality of the house being purchased.

These two approaches are similar because of the main variables used are income and price. The combination of both approaches might result to a better measurement towards housing affordability. The strength of each approach will complement the weaknesses of the two approaches (see Table 3.1). Bramley (2012) argued that the combination of these two approaches will yield more accurate identification of problems.

Table 3.1 Strengths and weaknesses of ratio and residual housing affordability measures

Ratio measure	Residual measure
<b>Strengths:</b> <ul style="list-style-type: none"> <li>▪ Relatively easy to apply</li> <li>▪ Easy comparisons</li> <li>▪ Reflects market realities in housing and income</li> </ul>	<b>Strengths:</b> <ul style="list-style-type: none"> <li>▪ Assesses household living standards</li> <li>▪ Sensitive to household structure</li> <li>▪ Sensitive to diverse income levels</li> <li>▪ Reflects market realities in housing and income</li> </ul>
<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>▪ Arbitrary benchmark</li> <li>▪ Needs modification to address household structure</li> <li>▪ Needs modification to address issue of households with different income levels</li> <li>▪ Does not address housing quality and adequacy</li> </ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>▪ More complex to apply</li> <li>▪ Not sensitive to geographic variations in cost of living</li> <li>▪ Does not address housing quality and adequacy</li> </ul>

Source: Henman and Jones (2012)

For the purpose of this study, however, these issues of measurement housing affordability are not consequential. This study is concerned with the influence of housing policy and schemes on housing affordability and thus does not need to measure the extent of problem precisely but to examine the degree to which the problem is exacerbated by housing policy and schemes introduced. Furthermore, although house price and household income contributed to the housing affordability problems among YWH, these contributions is seen as inter-related problems that is considered to influence housing affordability problems among YWH. Having established the influence of housing affordability problems, the next section discusses on the mechanism in providing affordable housing for YWH and its issues.

### 3.4 State's response to housing affordability problems

In line with the housing affordability problems, state responds through mechanisms such as law and policies to ensure the welfare of the society is maximised. The mechanisms of intervention are elaborated in this section. Affordability has become a more important issue in housing policy, with key examples of its role in social housing rent and subsidy issues, housing benefits or allowances systems and mortgage

regulation as well as in the planning of new housing supply of all kinds (Bramley, 2012).

There are several responses from the state on the housing affordability problems. One of the responses is through housing supply. The provision of affordable housing is cater the housing need for “sandwich class” which cannot afford either the down payments and are not eligible for public renting housing because of the pre-determined financial criterion (Mak *et al.*, 2007). Apart from that, government assistance programs and subsidies attributes towards higher ownership (Phang, 2009). Government response towards housing affordability problems are subjected to the most vulnerable groups which are commonly the low income households. As a result, intervention through providing public rental housing was introduced. Moreover, institutional housing programmes created large numbers of home owners with subsidised mortgages (Bredenoord and Verkoren, 2010).

Housing assistance from the government can be in various subsidies such as homeownership schemes, housing vouchers and monetary housing (Mak *et al.*, 2007). For an example, the evolution of providing low cost rental public housing to promoting low cost public homeownership is from the introduction of homeownership schemes (Tu *et al.*, 2005). Additionally, Hoek-Smit and Diamond (2003) considered subsidy intervention to improve public health, fairness and justice and societal stability and overcome market inefficiencies. Housing subsidies may be realised in many ways: through the production side (e.g. land grants, infrastructure), through finance (e.g. subsidising construction loans, permanent loans, investor guarantees), through operating expenses (e.g. public or employee housing, housing allowances, heat and utilities), real estate tax deductions (e.g. tax abatement, tax caps, income tax credits/deductions for homeowners) and by price controls (e.g. rent control) (Wan *et al.*, 2010).

Hoek-Smit and Diamond (2003) further argued that housing finance linked subsidies is one of the most preferred types of subsidy programmes and comprises of:

- a) Subsidizing the interest rate on housing loans using market based funding
- b) Subsidizing the interest rate on housing loans using special fund
- c) Subsidizing the interest rate on housing loans using deductions or credits for mortgage interest with respect to income taxes
- d) State support for housing-related saving schemes
- e) State-sponsored insurance or guarantees: loan default risk
- f) State-sponsored insurance or guarantees: system default risk
- g) Providing a lump-sum grant; and
- h) State housing banks

Baker and Beer (2007) added other policy interventions include land use planning for affordable housing and community-based housing. They argued that these techniques will better inform state's actions. According to Mak *et al.* (2007), major real estate related policies include tighter control of land supply, increasing restriction on pre-sales, stricter bank lending policy, property tax, provision of affordable housing and more even regional developments. Even so, the mechanisms that the state used to intervene contribute to the housing affordability problems as well especially in housing regulations (Downs, 1991; Meeks, 1992; Malpezzi and Mayo; 1997).



### **3.5 Issues in housing policy and schemes in addressing housing affordability problems**

Burke (2007) argued that current policy interventions are as much part of the problem as the solution. This is because different times create new market patterns and new policy interventions. He further argued that rental is the tenure of the future and more policy attention should be given in this sector with elements of ownership such as security, tenants' needs and long term affordability without undermining new adequate housing stock. Boehm and Schlottmann (1999) shared similar view and suggested that more work needs to be undertaken in order to make informed choices about the extent to which housing consumption should be subsidised and the emphasis on ownership relative to rental tenure.

Moreover, government interventions in taxes, subsidy and regulation influence the housing price level either by increasing construction standards and costs or by increasing developers' risk (Malpezzi and Mayo, 1997). They argued that strict environments would result into an elastic curve of housing supply as compared to fairly less government intervention. As a result, demand pressures raise house prices more quickly and significantly. Additionally, Downs (1991) suggested that there are three ways that regulatory barriers may raise housing costs, which are, direct restrictions on housing supply, direct cost increases and delay-causing requirements. Meeks (1992) added that the regulations influence housing costs by affecting housing structure, zoning and land use and fees that affect development, distribution and settlement.

Another problem of state's intervention is an approach on suppressing property speculation which is not sufficient (Mak *et al.*, 2007). Suppressing property speculation is not enough to ease housing affordability problems because the problems are inter-related with other influences and it is impossible for the state to disentangle the

problems. There two arguments in policy intervention in housing supply. Firstly, when the state decides to increase affordable housing supply and secondly, when the state decides to limit housing supply. Increasing affordable housing supply is insufficient if there is no control on the housing market of affordable housing. This garnered towards additional problems when the house price of affordable housing becomes unaffordable due to speculations. This is a possibility because once the affordable housing is market; the state no longer has control on the housing exchange. As the state's power in the open housing market is through approving supplies of houses, to limit housing supply when there is a demand shock it attributes to higher house prices. However, the important factor of insufficient housing supply relates when there is a barrier to mobility that keeps households unnecessarily consuming more of their income such as the lack of public transportation that incur transportation costs (Thalmann, 2003).

Even more, Kumar (1989) argued that housing policy failed to articulate the interests of deprived classes because there is no attempt to change the structure of the markets in order to strengthen the position of the weaker sections. This supports the failure of the insufficiency of controlling housing supply in state intervention. Apart from that, what the policy intervention failed to address is in reducing income inequalities (Kumar, 1989; Ha, 2002). Reducing income inequalities would assist vulnerable groups to consume a more equal share of housing resources and reduce housing subsidy. However, reducing income inequalities should be subjected to state giving income assistance. This is because income assistance is degrading and may accentuate the problem (Thalmann, 2003). Even so, the obvious question is how policy might promote faster residual income growth for middle income households (Rappaport, 2008).

Other than income, Alexiu *et al.* (2010) discovered that households with lower educational levels face a greater risk of exclusion from housing policies due to lack of knowledge of financial issues and issues related to housing. They recommended in

improving financial literacy to access to housing and prevent deception and implementing a mixed interventions between work and housing, promote involvement of end-users in the design and creation of housing plans and proximity policies in the area of housing are presented as a successful strategy which facilitate access for the most disadvantaged groups. The inclusion of financial literacy as part of housing policy is much better than extending credits for housing that will incur another problem (Bredenoord and Verkoren, 2010).

While at least part of policy contributes to rise in house prices and caused housing affordability problems (Stutz and Kartmann, 1982; Quigley and Raphael, 2004). Phang (2009) explained that in there is a need to establish the target housing market segment in terms of home ownership affordability and active government intervention in those targeted market segment are required. He examined the market implications of setting a housing price to income policy target for a market segment by the government and feels that the policy requires active intervention by the government with regard to the targeted sector. This relates to Burke's viewpoint as discussed previously on the change of time requires a change of policy intervention. Another problem in housing policies that affects housing affordability problem is the void in supplying land for affordable housing. Housing policies are more focused towards controlling housing supply but fails to address the land issues. The major issue of urban area is land. Land problem is tied to the future growth of urban housing market. Bredenoord and Verkoren (2010) stressed that in order to solve land problem, there should be a creation of public-private land bank or by pre-investing in future urban expansion.

There is serious attention needed in the structure of state interventions, especially in housing policy. While there are other policies that influence housing problems, the core importance is housing policy that should provide housing for targeted household income groups that has difficulties to purchase in the housing market.

### **3.6 Housing policy and schemes for YWH: International perspectives**

In relation to the difficulties of YWH to purchase affordable housing in the housing market, an international perspective on suggestion of policy outcomes to address this problem is discussed in this section. Three countries are reviewed and discussed on housing situations of YWH and also housing policy and schemes that are related to address housing affordability problems among YWH. The three countries selected for the purpose of this study are United Kingdom (UK), United States of America (USA) and Australia. These countries are chosen due to the establishment of similar schemes that will assist YWH to purchase a house.

#### **3.6.1 United Kingdom**

Young people in the UK are faced with many challenges in all types of tenures of the housing market (Clapham *et al.*, 2010). Therefore, housing affordability is a major policy issue that has become a concern for UK governments as house price have increase in recent years (Fingleton, 2008). According to Wilcox (2007), the house prices have risen twice as fast as earnings since 1990 and by mid-2007 and mortgage costs for first time buyer on average represented as high as 32.5 per cent of an individual full time earnings. Furthermore, rising house price have led to a growing reliance among YWH on financial assistance for parents especially in meeting the cost of housing deposit (Heath, 2008). Rugg (2010) argued that constraints created by housing market failure explained the increasing proportion of young renters and people who remain living with their parents.

Rugg (2010, p. 6) further explained that there are three characteristics why young people fail in the housing market,

1. **Economic disadvantage** – young people earnings will naturally be lower as individuals will be at an early stage of their working life. Financial support from relatives is often essential in facilitating movement out of the parental home. Younger family members are often given help with the payment of mortgage deposits, or in meeting the requirement for a rental deposit or advance rent payments. Where this kind of family assistance is not available, young consumers' exclusion in the housing market can become more marked.
2. **Inexperience** – they are vulnerable in terms of liability to exploitation and unfair dealing. An individual leaving the parental home for the first time will need basic advice and information on their housing options, on how to settle essential financial transactions, and on complex legalities defining rights and responsibilities. A young person without this kind of support may be liable to make mistakes that could be costly financially or that could place them in a position of acute housing need.
3. **Discrimination** – landlords generally prefer not to let to younger tenants, perhaps because it is believed that this kind of tenant will prove to be problematic in terms of behaviour, or because of the two characteristics outlined above; economic marginalisation and inexperience. Where there is an unwillingness or inability to return to the parental home, then questions remain about the responsibility of statutory authorities to intervene.

Apart from that, young people have below-average levels of financial literacy and lack ready access to financial services (Heath, 2008). In the UK, young people may be able to get financial help through government home ownership scheme and cannot afford to buy a home. One of the housing schemes is called Help to Buy: mortgage guarantees.

The mortgage guarantees help applicants to buy a home with a deposit of 5% of the purchase house price. The housing scheme is open to both first-time buyers and home movers for new-build and older homes in the UK with a purchase price up to £600,000. To qualify for a mortgage guarantee, the house that applicants want to buy must have a purchase price of £600,000 or less, it is not a shared ownership or shared equity purchase, the home purchase is not to be a second home and the house is not to be rented out after purchase.

The house to be purchased does not have to be newly built and the applicants do not have to be a first-time buyer as well as there is no limit on applicant's level of income. However, the applicants are not allowed to use this scheme with any other publicly funded mortgage scheme or an interest only mortgage. The schemes can be applied directly to participating banks. According to Alakeson and Cory (2013), the UK government made the biggest intervention through the Help to Buy Scheme. However, they argued that while the scheme helps thousands of people in homeownership it did not meet the needs of low to middle incomes. They further argued that the homes up to £600,000 will benefit households who are better off.

Furthermore, in England, there are additional homeownership schemes that are significant to this study. The homeownership schemes are Help to Buy: equity loans, shared ownership and NewBuy. Similarly, The Help to Buy: equity loans are open to both first time buyers and home movers on new-build homes in England with a purchase price up to £600,000. Through this scheme, the house has to be the only property of the applicant and the applicant is not allowed to sub-let the house. The scheme works with an equity loan whereby the applicant will need to contribute at least 5% of the house price as a deposit. The government will give the applicant a loan up to 20% of the house price and the applicant will need a mortgage of up to 75% to cover the rest of the housing cost. For example, for a property worth £200,000 the amount of cash

deposit is 5% of the property worth which is £10,000. The equity loan is 20% of the property worth which is £40,000 and the applicant's mortgage is only 75% of the property worth which is £150,000.

There is a fee on the equity loans but the applicant will not be charged loan fees for the first 5 years of owning the house. The applicant will have to pay the fee of 1.75% of the loan's value on the sixth year and the fee will increase every year. The Help to Buy agent will contact the applicant before the fees start and will set up monthly payments with the applicant's bank. There will be a statement sent about the loan every year. Most importantly, the fees do not count towards paying back the equity loan. If in case the applicant would like to sell the house back, the applicant will have to pay back the equity loan.

Additionally, the shared ownership schemes are also provided through housing associations. This scheme lets the applicant share their home between 25% and 75% for the home's value and pay rent on the remaining share. The shared ownership properties are always leasehold and the applicant will need to apply for mortgage to pay for the share of the house price. The eligibility criteria to buy a house through this scheme is if the household earns £60,000 a year or less, the applicant is a first-time buyer or used to own a home but cannot afford to buy one now or the applicant is currently renting a council or housing association property. This scheme is also eligible for older people and people with disabilities.

The shared ownership schemes works in purchasing more shares of the house. The eligible applicant can buy more shares in their home any time after they have become the owner and are known as stair-casing. The cost of the new share will depend on how much the house is worth at the time of share purchase. In case of selling back the house, the applicant can sell the house if they own 100% of the house. However, the housing

association has the right to buy the house first. If the situation is otherwise, the housing association has the right to find a buyer for the house. Heath (2008) argued that a greater provision of shared equity schemes for first time buyers would improve housing affordability problems. This is supported by Alakeson and Cory (2013) who agreed that there is a need to increase the supply of shared ownership to make it a genuine option for more low to middle income households.

Moreover, there is also a New Buy scheme that lets the applicant to buy newly built house with a deposit of only 5% of the house price. To be eligible for the scheme, the new house has to be newly build and being sold for the first time or for the first time in its current form, the price is less than £500,000, the house is not a second home or buy-to-let property, the house is fully owned by the applicant and cannot be used for shared ownership or shared equity purchases and the house it built by a builder that is taking part in the scheme. In addition, this scheme is for UK citizen or someone with the right to remain indefinitely in the UK. There is no limit on the applicant's level of income. Similar to the Help to Buy scheme, the applicant can apply for a mortgage with participating banks.

In relation to the characteristics of young people failing in the housing market, housing schemes to enhance access to home ownership are welcomed but the most pressing concerns of most young people are more prosaic: gaining access to affordable and decent quality housing; having access to support and guidance throughout the process; being treated fairly in the housing system (Heath, 2008). Furthermore, Fingleton (2008) suggested that government policy to increase housing supply to improve affordability. Even more, the housing supply needs to be built at the right location at the right type and the right price to meet the needs of YWH. Alakeson and Cory (2013, p. 33) suggested,



“There are various ways in which public land owners can make a return on land without charging upfront, for example, they can provide it on a long term lease, thereby retaining ownership of land, and charge an annual ground rent to the housing provider or they can invest it as an equity stake and take a return over time. Where land is low value but there is a clear need for more private rented housing, there is a strong case for local authorities to put up their land at no cost in order to achieve other economic objectives.”

The issue of land supply to build affordable housing can be remedied through this suggestion. However, the issue of land is more complicated than it seems. In addition, Rugg (2010, p. 7-8) also suggested new policy agenda for YWH,

- i. **Inflated aspirations and real need** – housing policy for young people needs to refocus attention on those young people who are economically vulnerable and socially isolated. Policy attention has to be directed to a more pressing concern: the existence of very extreme housing need amongst young people disadvantaged by the benefit system and without access to family support.
- ii. **Protecting young renters** – if policy-makers expect young people to stay in the private rented sector, then means-tested assistance with access to that accommodation must be made available in every area.
- iii. **Develop the right products**
- iv. **Review strategies in the context of the current market** – there needs to be a better understanding of the long-term economic viability of private renting for younger families.
- v. **Customise housing options** – where housing options teams operate, they need to include officers with specific training and knowledge of housing and young people. Too many reports have indicated that a lack

of inter-agency co-operation has stymied the delivery of housing advice to young people.

In sum, the current situation in UK warrants the national affordable housing grant to concentrate on the provision of affordable rented homes rather than homes to rent (Hughes and Lindsay, 2010). Furthermore, existing schemes could be simplified and more consumer friendly through improving advice and information.

### **3.6.2 United States of America**

In 2010, young adults in the United States of America (USA) lived in their parents' homes, doubled up with other families or stayed with roommates at rates far higher than in 2000 (Pendall *et al.*, 2012). Echo Boomers are generally the children of Baby Boomers who are born between 1981 and 1995 in the USA are numerous and relatively well educated. Echo Boomers are essentially the youth in USA that has been hit hard by recession as they entered adulthood due to reduced income and employment that has caused them to face difficulties in attaining homeownership. This is supported by Williams (2012) who argued that nearly one in four working households spends more than half of its income on housing costs. This is due to declining income as increasing rents that makes housing less affordable for working renters. Similarly, working owners also face problems. However, the problem is seen as there is a modest decline in housing prices with a larger decline in incomes that leads to higher cost burdens. Caplin *et al.* (2007) argued that rising house prices have left many new entrants to the housing market with affordability problems.

In the USA, Pendall *et al.* (2012, p. 5-6) argued that the US housing market in the next two decades will depend heavily “on the economic and housing policy environment that confronts Echo Boomers as they mature from young adulthood into middle age”. Therefore, the root of housing affordability problem is significant to study that will

benefit not only in social perspective but economy as well. Dolbeare (2001, p. 112) discussed the lack of low-income housing programs is the origin of the housing affordability problems. The major challenge she argued is on building a constituency for addressing housing needs.

Furthermore, perceptions on housing programs have to be positive. Among the perceptions of housing programs are:

- i. More than 70 percent of Americans had no positive images of affordable housing
- ii. People did not believe Washington-based solutions addressed the problems
- iii. Successful examples need to be linked to people and improvements in their lives, jobs, childcare, education and so forth. Local examples, or those from similar communities, excite people.
- iv. Good, affordable housing equals stable neighbourhood. There is strong support for stable neighbourhoods.
- v. Get the customers involved in the selling.
- vi. People like examples that they can relate to that will save them money, demonstrate responsibility and so forth
- vii. Two-thirds of those polled supported affordable housing if it is locally based

Similar to UK, the USA has also introduced shared equity schemes for eligible households. Caplin *et al.* (2007) argued that the development of new shared equity mortgages (SEMs) that will further increase homeownership. From their studies, the introduction to SEMs in the USA would likely to increase homeownership rate between 1 percent and 1.5 percent. They further explained that the SEMs offer consumers the

option of providing some of the funding in exchange for sharing in the financial risks and rewards. Housing affordability is enhanced due to home buyers' access to a new source of mortgage funding with no concomitant increase in monthly mortgage payments. Furthermore, SEMs are less appealing to investors. This is because the applicant to this mortgage expects no price appreciation and intent to hold housing loans as long as possible. For example (Caplin *et al.*, 2007, p. 6),

“... when such loan is first made, the borrower owes the lender exactly 20 percent of the value of the home. Hence the 40 percent sharing of appreciation represents double this share. However as the house appreciates over time, the share that is owned of the total house value rises towards 40 percent, and as it does so, the fixed 40 percent sharing of appreciation represents less and less of an incremental return for the investor.”

Moreover, the important of SEMs would advance the transition of YWH to homeownership and provide important bridging benefits for YWH with current needs or increasing income. Significantly, the SEMs enable YWH to immediately enter homeownership that is align closely with their growing needs.

According to Davis (2006, p.10), shared equity homeownership has been called “non-speculative homeownership”, “permanently affordable homeownership” and “third sector housing”. He elaborated that the advantage of “shared equity homeownership” is the emphasise that it places on three distinguishing features which are the owner-occupancy of residential property; the fair allocation of equity between one generation of lower-income homeowners and another and the sharing of rights, responsibilities and benefits of residential property between individual homeowners and another party representing the interests of a larger community. There a number of rationales towards the shared equity homeownership (see Table 3.2).

Above all, the shared equity homeownership not only assists in ensuring affordability in housing but also other factors as well. The opportunity that shared equity homeownership gives allows low to moderate income household to enjoy their housing rights and the privilege and benefits of becoming a homeowner. The diverse impacts of the shared equity homeownership also surpass the households' benefits towards the neighbourhood as well.

Table 3.2 Rationale of shared equity homeownership

<b>Rationale of shared equity homeownership</b>	<b>Salient points</b>
Affordability	<ul style="list-style-type: none"> <li>• Expanding access to homeownership</li> <li>• Preserving access to homeownership</li> </ul>
Stability	<ul style="list-style-type: none"> <li>• Enhancing security of tenure</li> <li>• Stabilising residential neighbourhoods</li> </ul>
Wealth	<ul style="list-style-type: none"> <li>• Creating personal wealth</li> <li>• Preserving community wealth</li> </ul>
Involvement	<ul style="list-style-type: none"> <li>• Building social capital</li> <li>• Expanding civic engagement</li> </ul>
Improvement	<ul style="list-style-type: none"> <li>• Enabling personal mobility</li> <li>• Promoting development and diversity</li> </ul>

Source: Davis (2006)

### 3.6.3 Australia

In Australia, rising house prices have made media headlines as it pushes access to home ownership for many including YWH and increases in interest rate have created repayment problems for those who have taken on significant amounts of housing debt (Yates, 2008). Furthermore, housing affordability became a concern when more than 1.2 million households are in housing stress, which is interpreted by the media as paying more than 30 percent or more of household income for housing costs.

Even more, there has been declining home ownership rates among younger households that is observed since the 1970s (Yates *et al.*, 2008). This is due to increasing income required to purchase a house that resulted to difficulties of single-income households

exacerbated by changes in lifestyle. However, the largest group experiencing housing affordability problems in Australia is not purchasers but those groups in private rental market.

Abelson (2009) argued that the housing affordability is a household income problem made worse by government restriction on housing supply. He argued that high housing cost do not reflect housing market failures and the government should supply more housing in established area to reduce housing costs. Government subsidies in urban areas are prone to increasing land prices and does not reduce house price. He further argued that housing affordability problems arise because of lack of income and to some extent because of complex housing needs. It is important for the government to provide housing income support or rental subsidies to YWH.

Among the housing schemes to facilitate to home ownership in Australia are Keystart home loans, First Home Buyers Grant, First Home Saver Account and Shared Home Ownership. The Keystart Home Loans is offered by the Department of Housing, Western Australia through its lending provide, Keystart Home Loans. These loan products will help eligible households to buy their own homes through low deposit loans and shared equity schemes. Even more, specific loan assistance is available for public housing tenants, sole parents, people living with a disability and Aboriginal borrowers.

Apart from that, from 25 September 2013, first home owners purchasing or building a new home may be eligible to receive a grant of AUD10, 000 while first home owners purchasing an established home may be eligible for AUD3, 000 grants. The cap limits of the total value of properties are AUD750, 000 or less or AUD1, 000, 000 depending on location. Furthermore, the First Home Saver Accounts provide a simple, tax effective way to save for a first home through a combination of Government contributions and

low taxes. The Government in Australia will contribute 17 percent on the first AUD5,000 of individual contributions made each year. This means an individual contributing AUD5,000 will receive a Government contribution of AUD850.

Similar to the UK and USA, Australia has also introduced Shared Home Ownership Scheme. The Shared Home Ownership Scheme is for households who are currently renting or is struggling to save money for the housing deposit. Shared Home Ownership allows household to purchase a house from the Department of Housing with a SharedStart loan through Keystart. Houses that are newly-built homes and off-the-plan properties offered by the Department of Housing across metropolitan and regional areas can be purchase through this scheme. The eligible criteria for SharedStart loan from Keystart includes,

- a) Cannot afford a home loan to assist with buying 100 percent of a property regardless of proof of savings
- b) Single applicant earning a maximum gross income of AUD70,000, or a couple/family earning a maximum gross income of AUD90,000, or work in the North West of WA earning a maximum gross income of AUD110,000 per year and would like to purchase a property and live in the North West area
- c) Permanent resident of WA
- d) 18 years old and above
- e) Will live in the purchased property as principal place of residence for the life of the SharedStart loan

Furthermore, the advantages of Shared Home Ownership in Australia is low deposit of AUD2,000 or two percent of the purchase price (whichever that is greater) for first time home buyers and deposit of AUD2,000 or 2 percent of the purchase price plus stamp

duty and fees for non-first home buyers. Moreover, no savings history is required, no lenders mortgage insurance and no monthly account keeping fees. Even more, first home buyers can use the First Home Owners Grant towards the deposit and apply for a grant from the Home Buyers Assistance Account.

### **3.7 Summary**

The discussion presented in this chapter demonstrated that housing affordability problems are inter-related between house price, household income and housing choice. The state plays a role in setting up measures to increase housing affordability but encounter failures in at least part of the housing policy. In recognising the role of state it is useful to examine the degree to which the state's role in the outcome of housing affordability.

The housing affordability problem experience discussed this chapter has positive lessons in recognising the problem and the state intervention mechanisms on this issue, particularly in enabling younger working households to enter home ownership. This chapter highlighted that in many cases, there is a strong relationship between house price and household income. Apart from that, from the relationship of house price and household income it was deliberated that housing choice influenced the problem as well. Scott's (2000) philosophies that action is fundamentally rational and individual will calculate their cost and benefits before proceeding to their course of action is thus significant.

More specifically, this chapter has provided an understanding of the state intervention in housing affordability problems for YWH which is useful in analysing the housing affordability problems among YWH in urban areas in Malaysia. There are a number of important questions to be considered, which are, what is the housing situation in the urban area? Who are the key players in supplying houses especially affordable housing?



What type of policy and schemes that were introduced to assist younger working households? The subsequent chapters on the case study of younger working household in an urban area will address these questions in the Malaysian context. The following chapter will first explain the housing situation before addressing the methodological issues in guiding the research.

## **CHAPTER 4**

### **HOUSING IN MALAYSIA**

#### **4.1 Introduction**

This chapter aims to describe the structures influencing housing affordability in Malaysia at the national and local levels. It seeks to set the scene for depicting the housing situations in urban areas in Malaysia that pose problems in housing affordability. An understanding of the structures examined in this chapter is significant in helping to comprehend the broad range of factors and policies beyond housing policy affect housing market outcomes and hence housing affordability. This chapter will answer the second research questions.

The first part of the chapter considers the background of the country in three aspects which are in politics, economy and social structures. It explores the role of state in housing and importantly, the distinctive approach towards economic development adopted by Malaysia. The second part moves to the local level and draws on the background of Greater Kuala Lumpur. It focuses on the governance and administrative, demographic, social and economic structure of the conurbation. This chapter provides a general overview of the institutional structure within which the housing policy for middle income household is derived.

## 4.2 Background of Malaysia



Figure 4.1: Map of Malaysia  
Source: <http://www.geographia.com>

### 4.2.1 Politic

Malaysia is a country that practice democracy. The federal government is formed and administered by the winning party in elections that are held every five years. Specifically, the type of ruling in Malaysia is federal parliamentary democracy with a constitutional monarch (Hai, 2002). The United Malays National Organization (UMNO) is Malaysia's predominant political party and has held power continuously since the independence in 1957. In recent years from 1960s, Malaysia implemented several initiatives that are parts of the socioeconomic model. The New Economic Policy (NEP) was launched in 1971 that is a policy designed to benefit Malays and indigenous groups. Malays and indigenous groups in Sabah and Sarawak are known as "Bumiputera". Moreover, one of the aims of the federal government is inter-racial harmony. Due to this, inter-racial harmony is determined as one of Malaysia's official goals to achieve. The previous alliance of communally based parties was replaced with an expanded coalition named as 'Barisan National' (BN) which consists of inter-racial parties

collaborated as one party. The components parties of BN are UMNO, Malaysian Chinese Association (MCA), and Malaysian Indian Congress (MIC) (Weiss, 2009).

After the departure of Mahathir's authoritarianism, the middle income households in Malaysia were able to openly express their opinions in the country's affairs (Abdul Rahman, 2013). In politics, one of the demands of middle income household is free and fair elections especially given the fact that Barisan Nasional government has been in power since independence. Even though, UMNO and its coalition allies in BN has been winning simple majority of the seats in the national parliament, the party failed to gain the two-thirds majority necessary to amend the constitution in 2008. This was the pinning point where Abdullah Ahmad Badawi stepped down as the prime minister of Malaysia and officially transferred the responsibility to Najib Abdul Razak in 2009. The sixth Prime Minister, Najib Abdul Razak sense the increasing disconnects between the state and middle income households and introduced policy initiatives that is rendered for middle income households.

The administration led by Najib Abdul Razak focused on the 1Malaysia initiative where he emphasises on national unity amongst Malaysia's multi-racial and cultural population. He also took initiatives in improving the government services delivery systems in the Government Transformation Program. Other than that, he introduced the Economic Transformation Program to provide a framework to emphasize private investment and understating public investment. The growth of Malay middle class is a result of the New Economic Policy (NEP) (Gomez and Jomo, 1997). Therefore, Najib Abdul Razak also reformed the 1970s NEP into the New Economic Model to further enhance the growth of middle class nation to a high income nation in 2020.

#### **4.2.2 Economy**

The key contributors to Malaysia's economy include agriculture, mining and quarrying, manufacturing, construction and services (see Figure 4.2). Malaysia is fortunate to have natural resources such as petroleum, liquefied natural gas (LNG), tin and minerals that contributed to the country's income. The gross domestic product (GDP) of the fourth quarter in 2010 is RM 203,506,000,000 and the gross national income (GNI) of the third quarter in 2010 is RM 189,382,000,000. The GDP growth rate of 2010 is 7.3 per cent. In contrast, in 2009 the GDP growth rate is -1.7 per cent as compared to 2010.

The primary agricultural products of Malaysia include palm oil, rubber, timber, cocoa, rice, tropical fruits, fish and coconut. In the fourth quarter of 2010, the agriculture sector experienced a decline of 4.3 per cent attributed by the decline of oil palm and forestry sub-sectors. However, the rubber sub-sector improved from 0.5 per cent to 6.3 per cent due to higher commodity price and increase in external demand. For the year of 2010, agriculture recorded an increase of 1.7 per cent as compared to 0.4 per cent in the previous year. Agriculture is one of the focus sectors of the government.

The largest contributor to the economy in Malaysia is the services sector. The services sector is escalated by 6.2 per cent in the fourth quarter in 2010 as compared to 5.4 per cent in the last quarter. The growth in the service sector is supported by wholesale and retail trade and business services and real estate sub-sectors. The wholesale and retail trade sub-sector recorded a strong growth of 8.2 per cent and the business services and real estate sub-sector strengthened by 8.7 sectors due to the improvement in the capital market activity. The growth of final consumption expenditure accelerated to 5.3 per cent in 2010 as compared to 1.2 per cent in 2009. While the gross fixed capital formation rose to 9.4 per cent in 2010 from negative 5.6 per cent in 2009. The main impetus to the growth by the private final consumption expenditure is driven by the consumption on

non-essential goods such as communication, recreational services and culture and transport. The strong momentum of expenditure on imported transport and equipment and non-residential facility had increased the gross fixed capital formation of this category of assets.

The Malaysia's economic growth remained sound at 4.8 per cent in the fourth quarter in 2010 as compared to 5.3 per cent in the previous quarter. Services and manufacturing sectors continued as the main contributors in the supply side while on the demand side, the economy is mainly driven by the domestic consumption of the private final consumption expenditure and gross fixed capital formation. Overall, the growth of the economy recovered to 7.2 per cent as compared to negative 1.7 per cent in 2009. The significant of this economic growth shows that the Malaysian economy is developing towards the goal of Vision 2020. Due to this, the labour force has increased considerably in Malaysia.

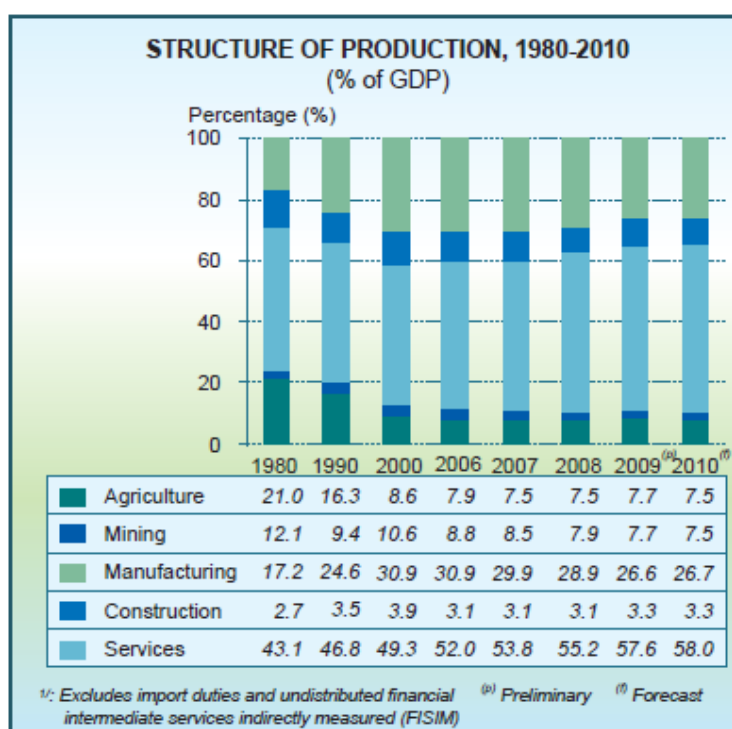


Figure 4.2 Structure of production in 1980-2010  
Source: Economic Planning Unit (2011, p. 9)

As discussed previously in Chapter 3, YWH is between 20 and 39 years old. There is an increase of total numbers of labour force among YWH (see Table 4.1). The prime age with the most total number of labour force among YWH category is those age between 25 to 29 years old. Due to the economic influence, the increase number of labour force among YWH determined that the expansion of manufacturing and services sectors has provided greater employment opportunities especially for YWH. Furthermore, the social transformation in the economy sector has also increase number of labour force in terms of education level (see Table 4.2). The majority of the labour force in Malaysia has at least achieved secondary education level. However, it is important to note that the minimum level of education which is the primary level is decreasing from each year. This could be attributable to the increase of labour force with the qualification of secondary and tertiary education level. Although, the number of labour force with tertiary education level is smaller than secondary level, the number of labour with tertiary education is increasing significantly every year.

According to the Department of Statistics (2011b), there is a substantial increase of graduates that entered the labour force market from the year 1982 to year 2010, with an exception of year 2007. Graduates as defined by the Department of Statistics are those who have a graduated with a Diploma or Bachelor Degree. However, based on the study by Wan *et al.* (2010), the proportion of middle income households are from the professional field and are graduates with a Bachelor Degree. Due to this, YWH in this study are graduates with a minimum of Bachelor Degree due to higher salary pay when they enter the job market which makes them a member of the middle income group.

Table 4.1 Labour force by age group in Malaysia between 2000 till 2009

Year	Number ('000)				Total
	20 – 24	25 – 29	30 – 34	35 – 39	
2000	1588.8	1543.8	1395.9	1250.4	5778.9
2001	1541.3	1541.0	1429.4	1300.8	5812.5
2002	1540.7	1573.2	1435.4	1324.0	5873.3
2003	1614.9	1618.3	1470.3	1356.6	6060.1
2004	1550.8	1645.5	1491.2	1385.6	6073.1
2005	1576.9	1697.6	1501.7	1391.2	6167.4
2006	1612.2	1746.0	1523.1	1408.9	6290.2
2007	1615.8	1793.4	1552.5	1434.0	6395.7
2008	1619.5	1831.5	1578.3	1437.9	6467.2
2009	1614.8	1905.7	1632.5	1464.4	6617.4

Source: Department of Statistics (2011a)

Table 4.2 Labour force by educational attainment in Malaysia from 2000 till 2009

Year	Number ('000)				Total
	No formal education	Primary	Secondary	Tertiary	
2000	531.8	2380.7	5261.0	1382.5	9556.0
2001	494.1	2337.1	5371.3	1492.2	9694.7
2002	523.2	2326.0	5383.9	1651.5	9884.6
2003	488.2	2290.4	5665.0	1794.5	10238.1
2004	483.2	2248.6	5699.4	1908.7	10339.9
2005	476.3	2144.8	5795.2	1995.0	10411.3
2006	403.7	2172.7	5989.4	2061.9	10627.7
2007	432.6	2104.0	6133.9	2210.0	10880.5
2008	489.0	2106.7	6186.4	2336.0	11118.1
2009	438.9	1970.5	6262.0	2643.9	11315.3

Source: Department of Statistic (2011a)

In the context of household income, the growth rate has increase 4.5% from year 2007 to year 2009 and 7.2% from year 2009 to year 2012 (see Table 4.3). In comparison by states, Kuala Lumpur has a significant increase in the income growth rate from 1.5% from year 2007 to year 2009 and 14.9% from year 2009 and year 2012. This is a significant increase and is attributed to Kuala Lumpur flourishing economy during this period. However it is a different scenario for Selangor and Putrajaya. The income growth rate in Selangor has increase 3.4% from year 2007 to year 2009 and 5.5% from year 2009 to year 2012. As for Putrajaya, the income growth rate for the year 2007 to year 2009 is 12.9% and 6.9% from year 2009 to year 2012.



Table 4.3 Mean monthly household income 2009 and 2012

	<b>2009</b>	<b>2012</b>	<b>Growth rate</b>
<b>Malaysia</b>	4,025	5,000	7.2%
<b>Urban</b>	4,705	5,742	6.6%
<b>Rural</b>	2,545	3,080	6.4%

Source: Department of Statistics (2012)

All states recorded an increase in mean monthly average household income (see table 4.4). W.P. Kuala Lumpur continued to register the highest growth rate, that is, 14.9 per cent, while the income growth rate for Wilayah Persekutuan Labuan, Perlis, Terengganu, Negeri Sembilan, Sabah, Kedah, Perak and Kelantan was above the national average growth rate of 7.2 per cent.

Table 4.4 Mean monthly household income and average annual growth rate by state 2009 and 2012

<b>State</b>	<b>2009</b>	<b>2012</b>	<b>Average Annual Growth Rate (%)</b>
<b>W.P. Kuala Lumpur</b>	5,488	8,586	14.9
<b>W.P. Labuan</b>	4,407	6,317	12.0
<b>Perlis</b>	2,617	3,538	10.1
<b>Terengganu</b>	3,017	3,967	9.1
<b>Negeri Sembilan</b>	3,540	4,576	8.6
<b>Sabah</b>	3,102	4,013	8.6
<b>Kedah</b>	2,667	3,425	8.3
<b>Perak</b>	2,809	3,548	7.8
<b>Kelantan</b>	2,536	3,168	7.4
<b>Johor</b>	3,835	4,658	6.5
<b>W.P. Putrajaya</b>	6,747	8,101	6.1
<b>Sarawak</b>	3,581	4,293	6.0
<b>Selangor</b>	5,962	7,023	5.5
<b>Pulau Pinang</b>	4,407	5,055	4.6
<b>Pahang</b>	3,279	3,745	4.4
<b>Melaka</b>	4,184	4,759	4.3
<b>Malaysia</b>	<b>4,025</b>	<b>5,000</b>	<b>7.2</b>

Source: Department of Statistics (2012)

The findings of the Household Income Survey (HIS) (2012) showed that the distribution of income among households as a whole continued to improve as denoted by the reducing Gini coefficient from 0.441 in year 2009 to 0.431 in year 2012 (see Figure 4.3). HIS 2012 also showed a decrease in the Gini coefficient for urban and rural areas from 0.423 and 0.407 (2009) to 0.417 and 0.382 (2012) respectively.

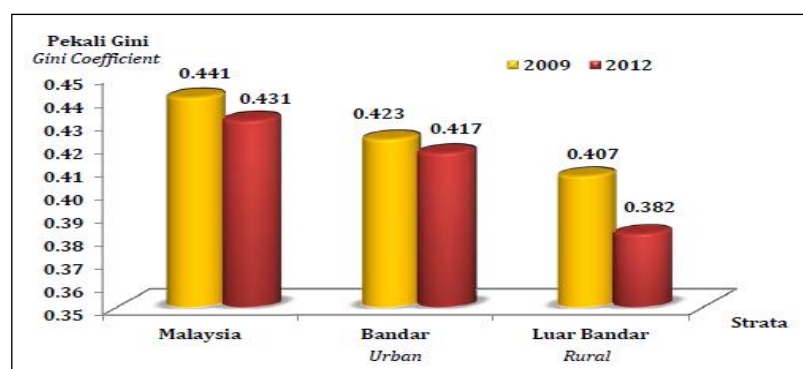


Figure 4.3 Gini coefficients by strata 2009 and 2012  
Source: Department of Statistics (2012, p. 5)

The mean monthly household income for income group in the top 20% in Malaysia is RM12, 159 where as in urban area the top 20% earn RM13, 654. As for the mean monthly household income group of middle 40% in Malaysia is RM4, 573 and in urban area RM5, 294. It is also significant to note the mean monthly household income group of the bottom 40%. In Malaysia, the mean monthly household income of the bottom 40% is RM1, 847 and in urban is RM2, 235. It is clear that the mean monthly income in urban area is higher than the mean monthly income of Malaysia. However, this income level will support arguments on the income level of YWH. Furthermore, the problem of household income can be examined based on this supporting data.

Table 4.5 Mean monthly household income for income group top 20%, middle 40% and bottom 40% for Malaysia and Urban in 2012

	<b>Malaysia</b>	<b>Urban</b>
Top 20%	RM 12,159	RM 13,654
Middle 40%	RM 4,573	RM 5,294
Bottom 40%	RM 1,847	RM 2,235

Source: Department of Statistics (2012)

A major concern among the middle income households in Malaysia is the rising cost of living, reflected in increasing prices of food, housing, fuel, motor vehicles and other durables as well as education and healthcare (Abdul Rahman, 2013). The consumer price index (CPI) is an indication of what types of goods and non-goods that the population consume in a country. In Malaysia, the consumer price index for the period of January to February in 2011 has increased by 2.7 per cent as compared to the same period last year. The most important factor in consumer price index is whether households are spending their money or saving them. If it is the case of an increase in CPI, the conclusion can be made that the population are rather spending than saving.

As for the consumer price index (CPI), it has increased from 106.70 index points in June 2013 to 106.90 July 2013. According to the Department of Statistics (2013), the CPI is the highest at 106.90 in July 2013 and the lowest at 24.30 in January 1972. From the observation of the data collected by the Department of Statistics Malaysia, the 2.7 per cent increase in the CPI was brought by all main groups except for clothing and footwear (-0.6 per cent), communication (-0.3 per cent) and recreation services and culture (-0.1 per cent). Transport, food and non-alcoholic beverages and housing, water, electricity, gas and other fuels are the notable main groups with the high weights with an increase of 4.4 per cent, 4.2 per cent and 1.5 per cent respectively. Other groups that increases are alcoholic beverages and tobacco (6.4 per cent), restaurants and hotels (5.0 per cent), health (2.4 per cent), education (1.7 per cent), miscellaneous goods and

services (1.3 per cent) and furnishing, household equipment and routine household maintenance (1.1 per cent).

The three main groups namely, food and non-alcoholic beverages, housing, water, electricity, gas and other fuels and transport accounted for 83.8 per cent together of the overall increase for the current period. For non-food items, a reclassification of items according to their durability and services rendered showed an increase in non-durable goods (0.7 per cent), services (0.5 per cent) and semi-durable goods (0.1 per cent) while durable goods decreased by 0.2 per cent. Furthermore, the percentage of consumer use in urban is on cars and mobile phones (see Table 4.6). According to Abdul Rahman (2013), a major concern among the middle income households in Malaysia is the rising cost of living, reflected in increasing prices of food, housing, fuel, motor vehicles and other durables as well as education and healthcare. He further argued that with the rising cost of living, middle class find that commodity prices such as house and cars have increase while their salary is not up to pace with these prices increase (Abdul Rahman, 2013).

Table 4.6 Percentage consumer use in Urban 2012

	<b>Car</b>	<b>Motor</b>	<b>Mobile phone</b>
<b>Malaysia</b>	88.6	61.5	96.4
<b>Kuala Lumpur</b>	89.2	52.4	98.8
<b>Selangor</b>	89.1	55.5	97.4
<b>Putrajaya</b>	98.5	57.1	100.0

Source: Household Income Survey (2012)

### 4.2.3 Social

The challenge of housing and increasing urban population, particularly the poor is becoming more critical in the urban areas where an explosive expansion of the urban population due to a high population growth rate and massive rural-urban drift has compounded the housing situation (Saw, 2007). This situation is mainly attributed due to two factors. Firstly, the availability of vast employment opportunities which drew migrants from the rural areas to settle in these peripheries and, secondly, the population moving away from the densely populated urban core centres to settle in the outer limits of their urban boundaries.

The migration from rural areas to urban areas has increase in urbanisation rate from independence to present. The urbanisation is attributed to population growth, changes in economic activity and a transformation from society (Salleh and Meng, 1997, Agus *et al.*, 2002). In the case of state intervention, the state is more in tune with developing rural population. Such intervention into development of rural population is in terms of economy, social and infrastructures. For urban population, there is minimal government intervention and is market based. In which case, urban population are perceived to able to afford within the free market.

It was argued that the pattern change is due to urbanisation where it refers to the process by which an increasing proportion of the country's population comes to live in cities for work opportunities in urban areas. Although, this is not the case for YWH, this study focuses on emphasising how YWH live in urban areas being the second generation of middle class. Overurbanisation argued by Graves and Sexton (1984) in developing nation where the result of migration from rural areas at a higher rate than employment opportunities in urban areas is in contrast with the situation in Malaysia.

The trend of migration rate from rural to urban areas has increased from 11% in 1957 to 71% in 2010 (Department of Statistics, 2010) (see Figure 4.4 and Figure 4.5). Arguably, this could also be a reason why the demand in urban areas has increased substantially. Urban area has less government intervention as compared to rural areas. Households in urban area are perceived as ‘can afford’ to pay within the free market. However, rapid urbanisation entails difficulties in managing growth in urban centres in a sustainable way and it is also a challenge to manage expanding populations, securing sufficient public funding for the provision of social service and dealing with demand and supply pressures on land, energy, water and environment (PR1MA, 2013). The process of urbanisation in Malaysia is closely linked to economic growth. The structural shift in the Malaysian economy and shift in employment from the primary sector to the secondary and tertiary sector has an impact on the population distribution (Jamalunlaili, 2008).

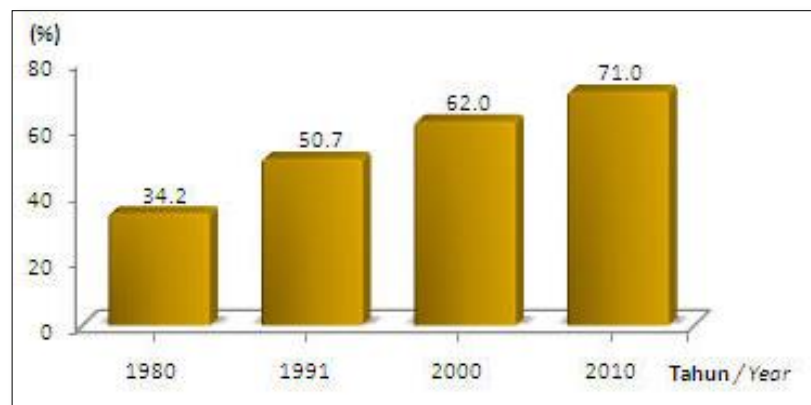


Figure 4.4 Urbanisation rate in Malaysia  
Source: Department of Statistic (2010, p. 4)

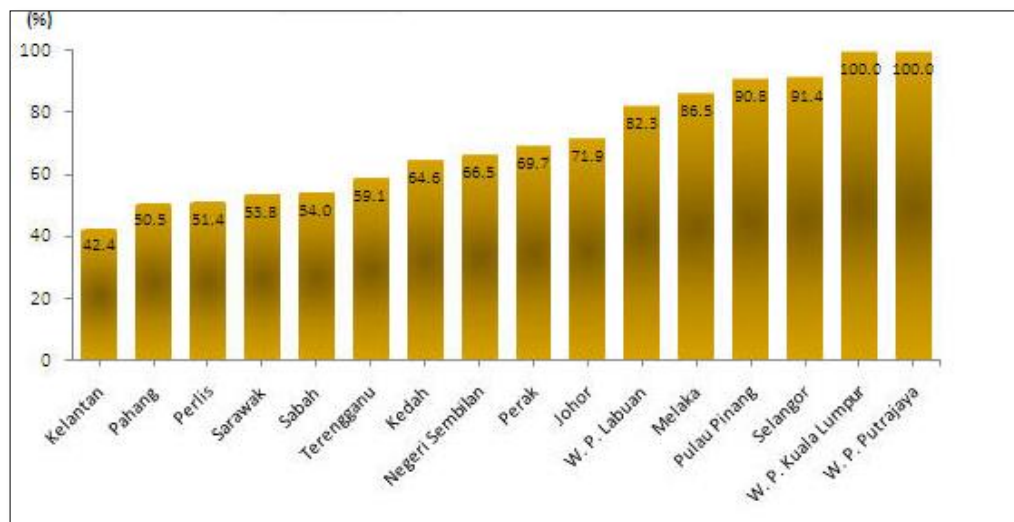


Figure 4.5 Urbanisation rate by state in Malaysia  
Source: Department of Statistics (2010, p. 4)

Malaysia comprises of multi ethnicity population namely, Malay, Chinese, Indian, Indigenous people and others. The population of Malaysia as of 2010 is 27,565,821 (Department of Statistics, 2010). Among the 13 states and 3 Federal territories, Selangor has the most population in Malaysia with 5,411,324 people which are 19.63 per cent of the country's population. Between the year 2000 and 2010 the average annual growth rate in Malaysia has declined to 2.17 per cent from 2.60 per cent in between the year 1991 and 2000. Among the states of Malaysia, Federal Territory of Putrajaya has the highest population growth in between the year of 2000 and 2010 with 17.77 per cent growth rate. This is followed by Selangor with 3.17 per cent. Sabah, Sarawak, Pahang, Johor, Kedah, Terengganu, Negeri Sembilan and the Federal Territory of Labuan have a declining growth rate in between year of 1980 and 2010.

In terms of gender, there are 14,112,667 males and 13,453,153 females in Malaysia (see Figure 4.6). The significance of distinguishing the number of males and females is important in this study as the gender that is more prominent to work is male. From this figure, the estimation of workforce can be measured without eliminating the female workers. The overall sex ratio shows that there are 105 males for every 100 females in Malaysia. It is quite a close ratio between male and female in Malaysia. Zooming in into

states, Johor has the highest sex ratio of 112 males to 100 females. While as, the lowest sex ratio is in the Federal Territory of Putrajaya which is 88 males to every 100 females.

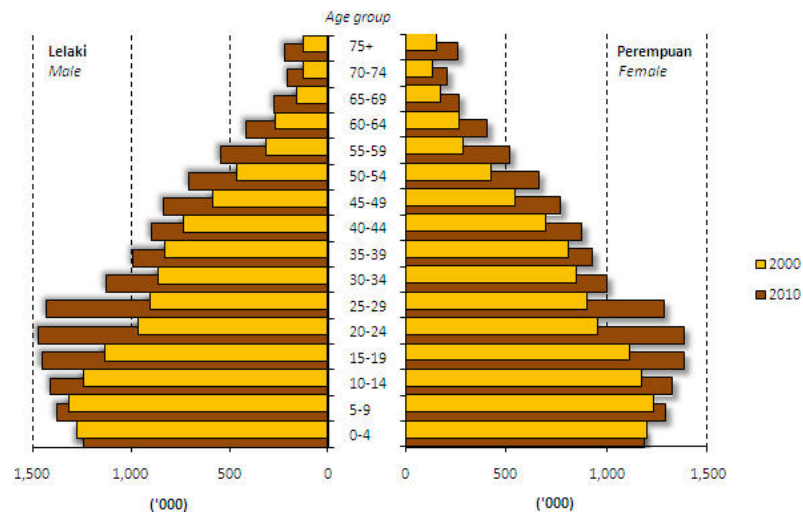


Figure 4.6 Population of Malaysia  
Source: Department of Statistics (2010, p.6)

In terms of gender, it is also important to recognise and acknowledge the average household size in Malaysia. Malaysians are brought up to the importance of marriage and starting a family from their respective culture (Hashim, 2010). The average household size in 2010 is an average of 4.31. This shows that the average household size is decreasing as compared to in 2000 which had an average of 4.62. Even so, the states that recorded the highest average household size are Sabah with 5.88, Kelantan with 4.86 and Terengganu with 4.78. In general, there are 6,396,174 households and 7,380,865 living quarters in Malaysia.



### 4.3 Background of Greater Kuala Lumpur

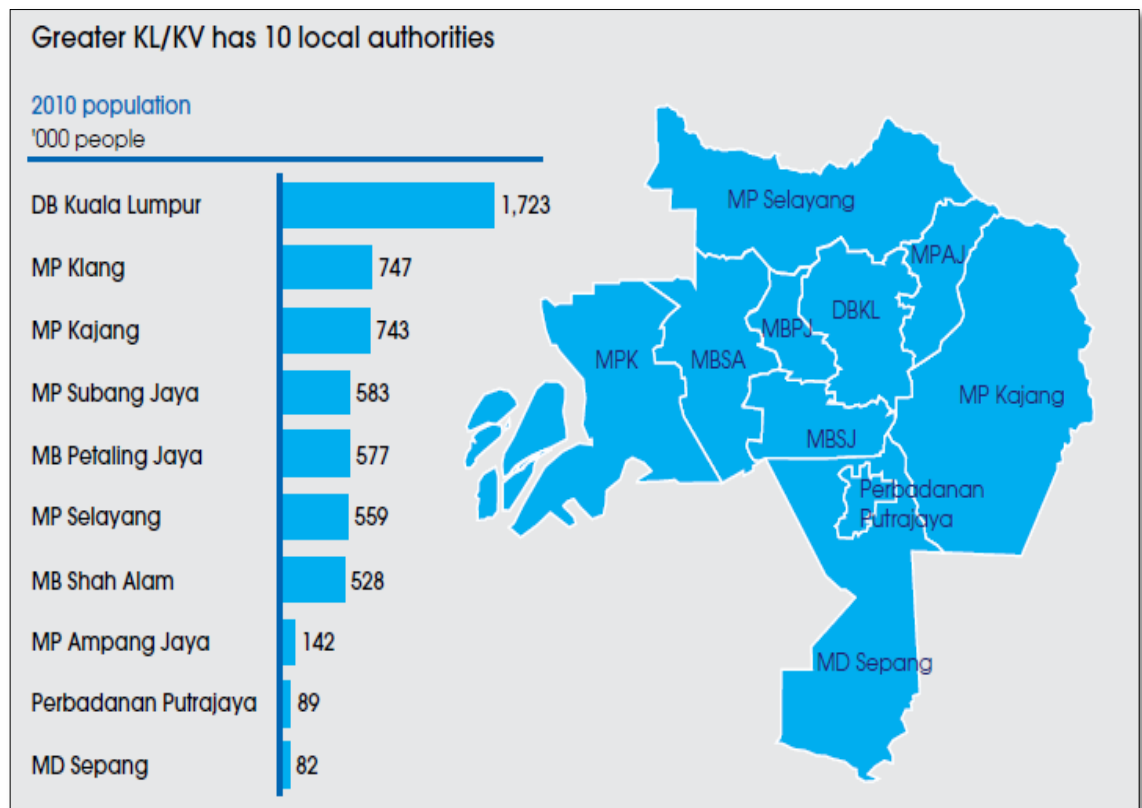


Figure 4.7 Map of Greater Kuala Lumpur  
Source: PEMANDU (2010)

The Greater Kuala Lumpur (hereafter referred as Greater KL) has a total population of 6 million as of 2010 (see Figure 4.7). Greater KL is also the centre of Malaysia's industry and commerce that contributed more than 45% of the total amount of constructed houses in the country (Tan, 2012). Kuala Lumpur, Selangor and Putrajaya are located in Greater KL which is the most urbanised region of Malaysia where Kuala Lumpur and Putrajaya has achieved 100 percent and Selangor 91.4 percent of population is urbanised.

While the rapid growth of Kuala Lumpur is undeniable, the most urban growth in GKL occurred outside of Kuala Lumpur (Jamalunlaili, 2008). This process of suburbanisation is more evident between 1991 and 2000. The migration of people into the suburbs led other urban centres outside of Kuala Lumpur to grow much faster than the capital. The

constructions of highways and private property developers have opened up new residential urban development to satisfy public demand. Thus, Jamalunlaili (2008, p. 254) argued that the combined forces of demand by the increasing number of middle class, supply of newly developed residential and urban areas, capital of the private sector and improved accessibility created by the construction of highways have worked to ensure steady urban growth and expansion of suburban areas.

Greater KL is governed by 10 local authorities namely, Kuala Lumpur City Hall, Perbadanan Putrajaya, Shah Alam City Council, Petaling Jaya City Council, Klang City Council, Kajang City Council, Subang Jaya City Council, Selayang City Council, Ampang Jaya City Council and Sepang City Council (PEMANDU, 2010). The Greater KL/KV metropolitan area is smaller than Kuala Lumpur National Conurbation as defined in the latest review of the National Physical Plan.

The Economic Transformation Programme is a high intensifying programme that has high number of goals to achieve within a stipulated period of time under the new administration led by the current Prime Minister of Malaysia, Najib Abdul Razak. The Prime Minister touched on the minimum income bill which is recently been passed in Parliament whereby he feels Malaysians are underpaid and professional services is undervalued (*Economic Transformation Programme and the New Economic Model*, 2011). The introduction of the minimum income bill will have an impact on increase competition due to the higher use of new technology, a higher productivity, innovation and great ideas of companies. This minimum income bill will be applied to young professionals as they are the least paid and the Prime Minister believed that getting paid more means working harder.

Malaysia urbanisation level is 71 per cent and GNI per capita is RM 22,000. Other countries such as the United States have an 83 per cent and GNI per capita is RM 153,000, United Kingdom 87 per cent and RM 108,000 and Japan 67 per cent and RM 133,000 respectively. When there is an increase tendency for both population and economic activities to concentrate in cities, the world is becoming more urban (Leung, 2004). Large and urbanised cities become even more critical with their concentrations of infrastructure, talent and economic interrelationships that support the economic transformation and this correlates strongly to average income levels. The movement from rural to urban employment boosts labour productivity and household incomes and often improves household incomes by a factor of 10 or more (PEMANDU, 2010).

Professionals can choose where to live and work and cities that are vibrant and liveable are magnets for high-skilled people. Typically, wealthy cities perform well on liveability measures by providing for basic needs such as education, health care and safety while also catering to the cultural and other demands of an increasingly diverse and metropolitan society. However, in the Mercer Quality of Living Survey 2010, Kuala Lumpur ranked 138 out of 221 cities while in the Economist Intelligence Unit (EIU) Livability Index Survey 2010, Kuala Lumpur ranks 10<sup>th</sup> out of 31 Asian cities (Tan, 2011, p. 1). Greater KL as a city aims to achieve top 20 ranking in the EIU Livability Survey and such developments create a need to provide adequate housing with a high-quality and a harmonious living environment for all Malaysians.

The governance structure and delivery for Greater Kuala Lumpur is headed by the Prime Minister (see Figure 4.8). The Prime Minister is supported by the Minister of Federal Territories who is the leader of the Greater KL Steering Committee. The Greater KL Steering Committee include Minister for Economic Planning Unit (EPU), Minister of Finance, Minister of Housing and Local Government, Chief Secretary to the Government, Director General of the EPU, Secretary General to the Ministry of

Finance, Kuala Lumpur’s Mayor, Selangor’s Chief Minister and Director General for UKAS as well as several prominent people from the community and private sector. The Steering Committee responsibility is to monitor progress on key initiatives, resolve issues and barriers, ensure implementation and expedited delivery. The Secretariat to the Steering Committee is the Greater KL Corporation. It is an executive component of the governance structure. It acts as the driver and co-ordinator of all programs in Greater KL.

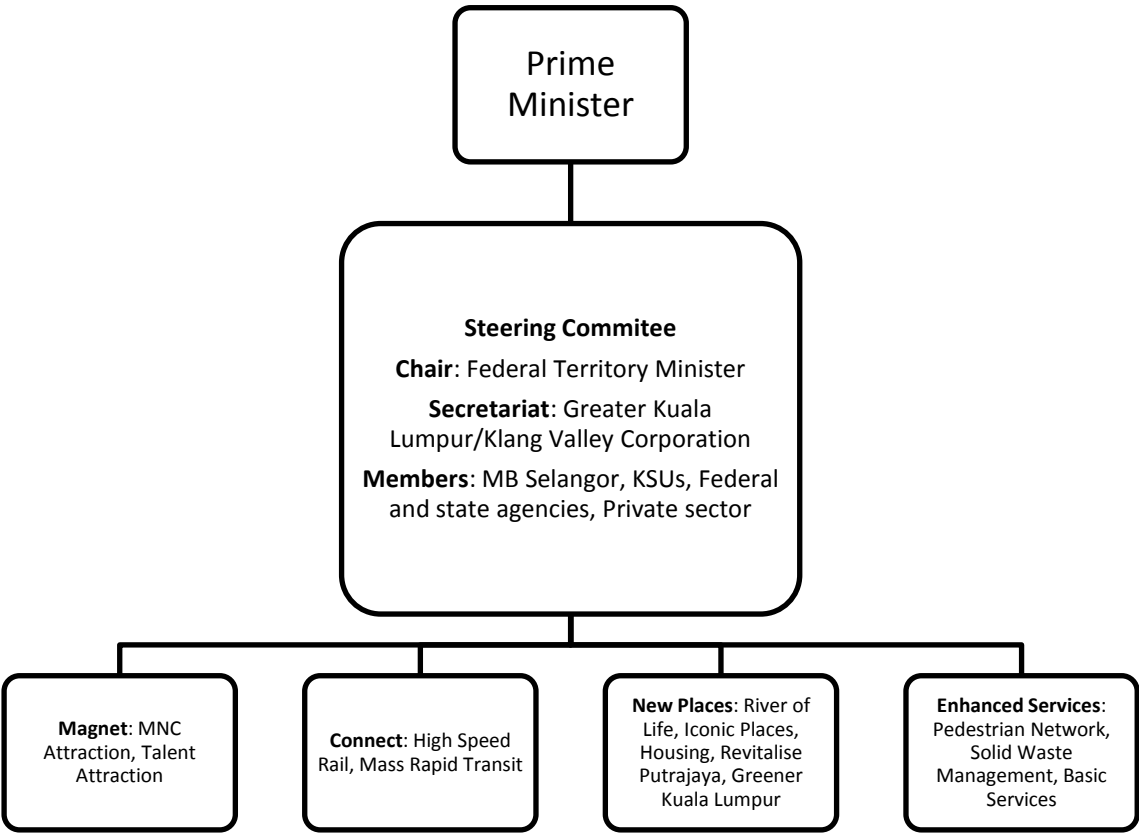


Figure 4.8 Governance for Greater Kuala Lumpur/Klang Valley NKEA  
Source: PEMANDU (2010)

Greater KL also aims to become a location choice for companies and professionals and will focus on higher-value jobs by 2020. The form of foreign direct investment being attracted must no longer be investments that leverage low-wage workers but rather those that create opportunities for high value-added employment. Greater KL value proposition is clear, a strong talent base with high English proficiency, a strategic

location at the heart of fast-growing Asia, superior infrastructure, a lower cost of living compared to competitor cities such as Singapore and Hong Kong and a liveable environment. The goals include strengthening the local talent base with an emphasis on up-skilling and re-skilling with example such as the efforts in initiating the Industrial Skills Enhancement Programme and expanding the Graduate Employability Management Scheme and uplifting the property market where demand for Greater KL property will increase to match regional peers. Today property prices in Greater KL are valued at five times below comparable units in our neighbour, Singapore. In terms of housing, the Greater KL will need one million houses by 2020 and the current projected housing supply is expected to be sufficient to meet demand. The challenge is providing the right mix of housing, moving from 81 per cent of upper middle cost housing in 2009 Greater KL population.

In relation to YWH, homeownership is regarded as housing needs. Malaysia is a country that practises homeownership democracy and it shows in the statistical data that 71.4% of Malaysians own a house. Ironically, there is a gap of affordable housing for YWH as they cannot afford to purchase a house in Greater KL. Due to this, it is imperative to study and discuss housing supply and house price in Greater Kuala Lumpur.

#### **4.4 Housing supply and house price in Greater Kuala Lumpur**

As mentioned earlier, the distribution of ownership among households in Malaysia is 71.4% of the population in 2009. In urban areas the distribution is 66.6% are home owners, 30.2% are renters while 3.2% are others (see table 4.7). There is growth in homeownership in 2012 whereby owners in urban area increase to 70.9%, renters decrease to 24.8% and increase in others at 4.3%. More specifically, the housing supply and house price in Greater KL is discussed in the next subsections.

Table 4.7 Percentage distribution of households in type of ownership 2009

	<b>Own</b>		<b>Rent</b>		<b>Other</b>	
	Total	Urban	Total	Urban	Total	Urban
<b>Malaysia</b>	71.4	66.6	25.1	30.2	3.5	3.2
<b>Kuala Lumpur</b>	50.0	50.0	47.5	47.5	2.5	2.5
<b>Selangor</b>	64.9	63.7	32.9	34.3	2.2	2.0
<b>Putrajaya</b>	9.6	9.6	89.8	89.8	0.6	0.6

Source: Department of Statistics (2012)

### *Housing Supply*

There are thirteen (13) types of houses as compiled by the National Property Information Centre (NAPIC), Malaysia (2012). The types of houses are SOHO (Small office home office), condominium/apartment, service apartment, flat, low cost flat, low cost house, cluster, town house, detach, 2-3 storey semi-detach, single storey semi-detach, 2-3 storey terrace and single storey terrace. The housing supply of these types of houses will be elaborated in this section in terms of existing supply, incoming supply and new planned supply. It is important to identify the housing supply in Greater KL in order to examine the housing affordability problem among YWH. In the existing housing stock, there is an increase in all types of housing in Greater KL (see Figure 4.9). The existing stock of condominium/apartment increased from 2011 to 2012 from 332,075 units to 341,168 units. As for 2-3 storey terrace housing units increased from 425,363 units to 432,969 units in 2011 to 2012.

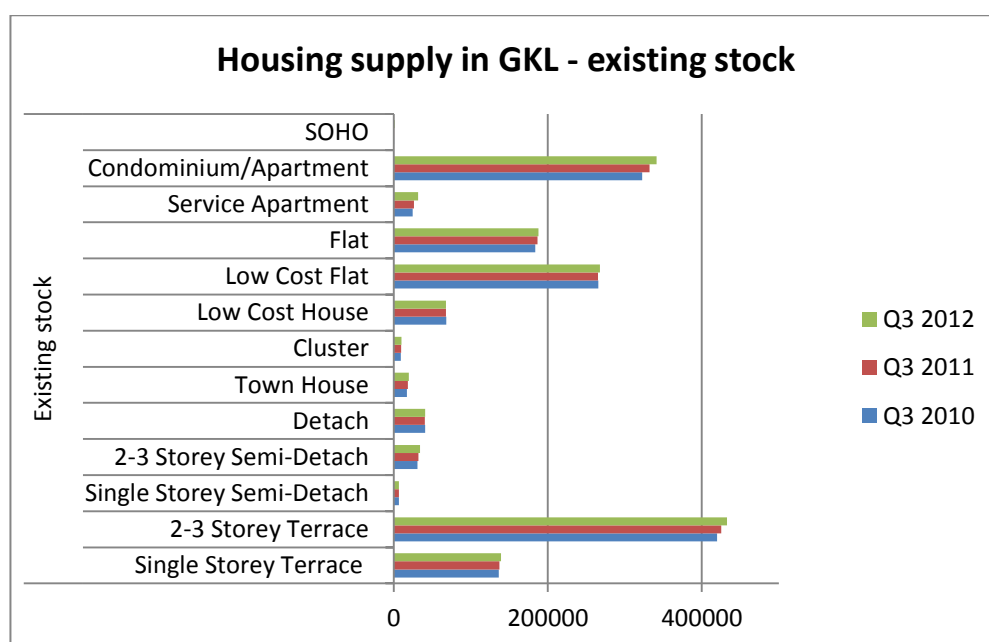


Figure 4.9 Existing stock in Greater KL  
Source: NAPIC (2012)

As for incoming supply, there is a surge of supply of SOHO, condominium/apartment, service apartment, cluster, 2-3 storey semi-detach and 2-3 storey terrace houses (see Figure 4.10). Stratified properties such as SOHO, condominium/apartment and service apartment seem to have a prominent increase in incoming supply. As for landed properties, 2-2 storey semi-detach houses increase in incoming supply from 7,733 units to 9,283 units in 2010 to 2011. There is an increase of 5.7% of income supply from 2011 to 2012 for 2-3 storey semi-detach houses.

In the new planned supply, from figure 4.11, it shows that there is more supply of stratified property as apart to landed properties. This could be due to increasing land prices or the scarcity of land especially in urban areas. Out of all types of stratified housing, the most new planned supply is SOHO where it was not in the new planned supply until 2012. Apart from that, there is a new planned supply of 760 units in 2012 as compared to none in 2011. As for landed properties, there is a strong new planned supply of 2-3 storey terrace house with increase of 1,118 units in 2011 to 2,205 units in

2012. This also applies to 2-3 storey semi-detach where the new planned supply increase from 272 units in 2011 to 666 units in 2012.

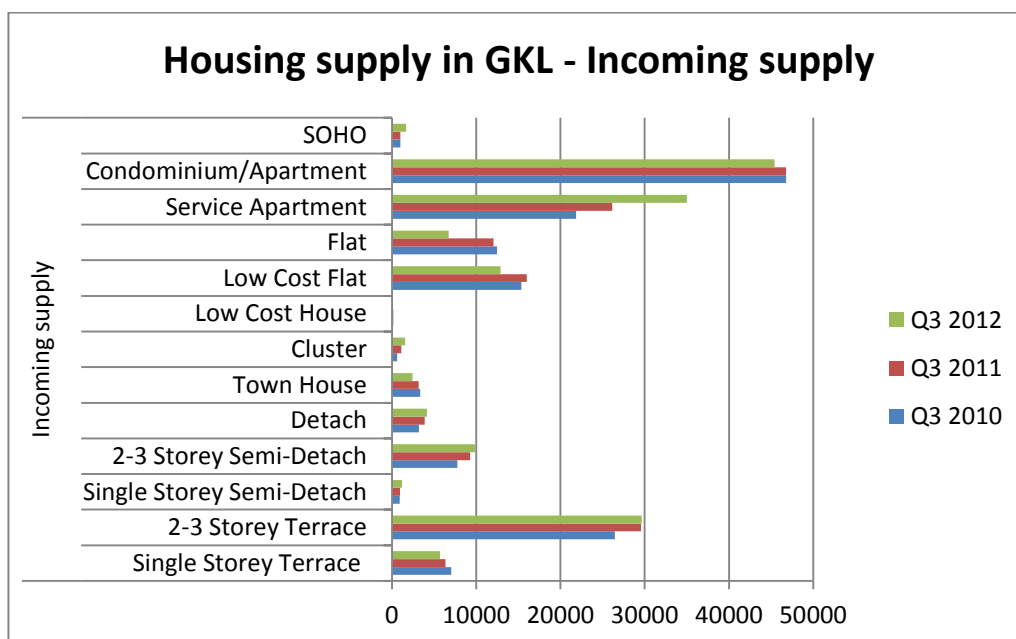


Figure 4.10 Incoming supply in Greater KL  
Source: NAPIC (2012)

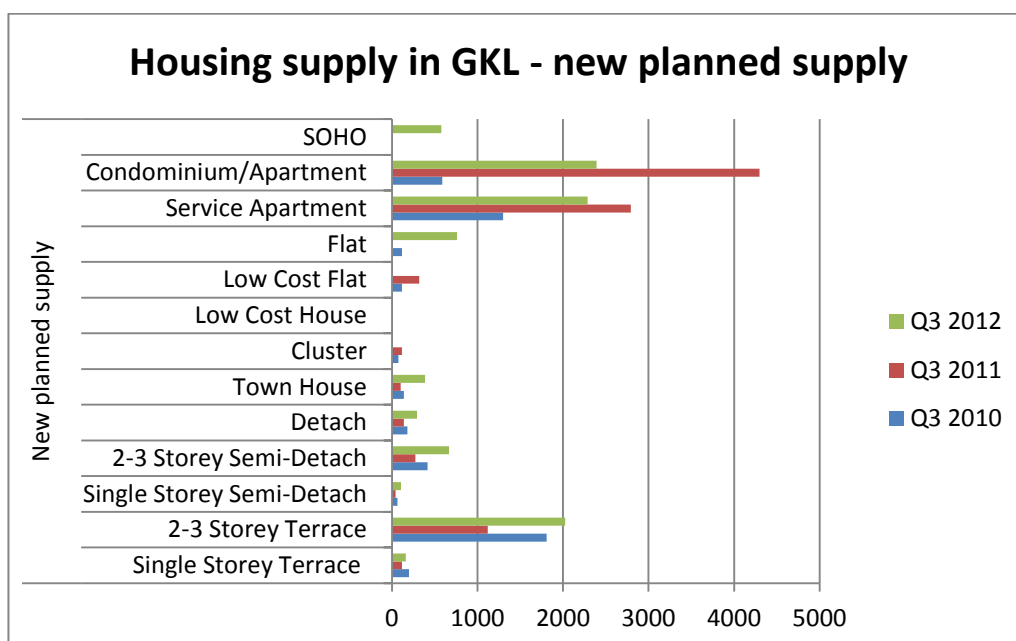


Figure 4.11 New planned supply in Greater KL  
Source: NAPIC (2012)



### *House Price*

The rising of house prices may not reflect trends in Malaysia but they are reflective in major cities especially Kuala Lumpur (Wan *et al.*, 2010; Zainal Abidin, 2010; Abdul Rahman, 2013). For example, a double-storey semi-detached house is priced at RM 350,000 in 2008 and doubled to nearly RM 600,000 three years later in Greater KL. According to Abdul Rahman (2013), the middle class especially younger professionals are angry because the fact is they must compete for affordable houses with the rich who frequently snap up properties as a form of speculative investment. Moreover, the rentals are high as reflected by the house price which drove YWH to migrate to other cities to have a chance to purchase house of their own. Tawil *et al.* (2011) argued that this happened because lack of comprehensive national housing policy that led to speculation activities on house price in the market.

House price is known to be influenced by its location. In this section, the house price in Kuala Lumpur, Selangor and Putrajaya are shown separately but yet depicts the picture of house prices in GKL. For the average house prices in Kuala Lumpur condominium/apartment (see Figure 4.12) is above the RM 400,000 range which is RM 483,238 in 2012. As for 2-3 storey terrace house, the average house price has increase from RM 549,080 to RM 645,627 in 2010 to 2011. It is certain that YWH housing choice will be either these two types of houses. This is due to the limited choices of housing supply in the housing market that YWH can afford.

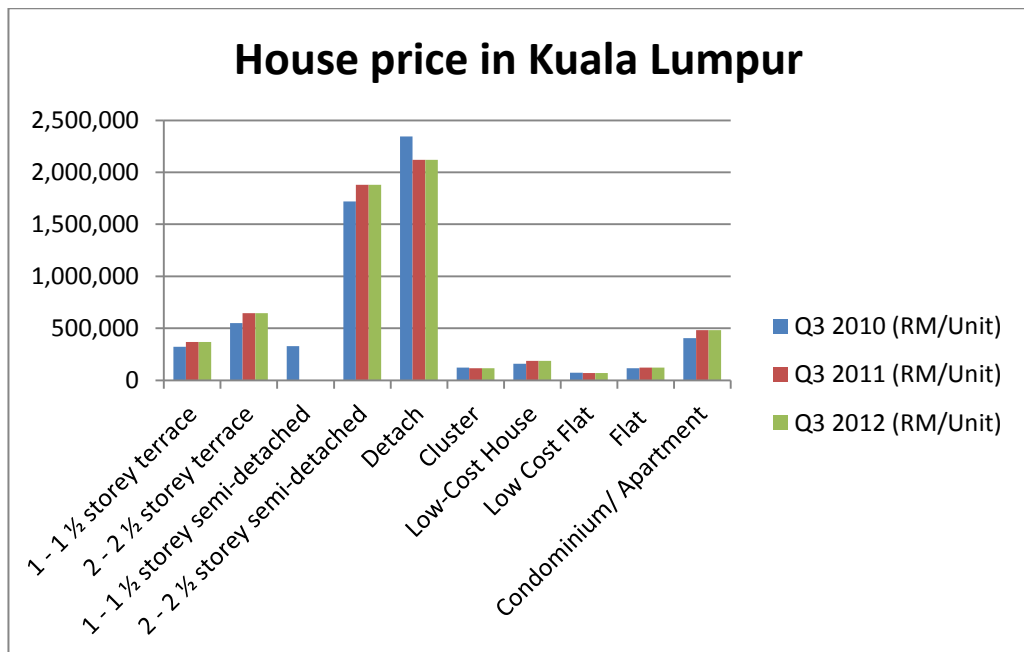


Figure 4.12 House price in Kuala Lumpur  
Source: NAPIC (2012)

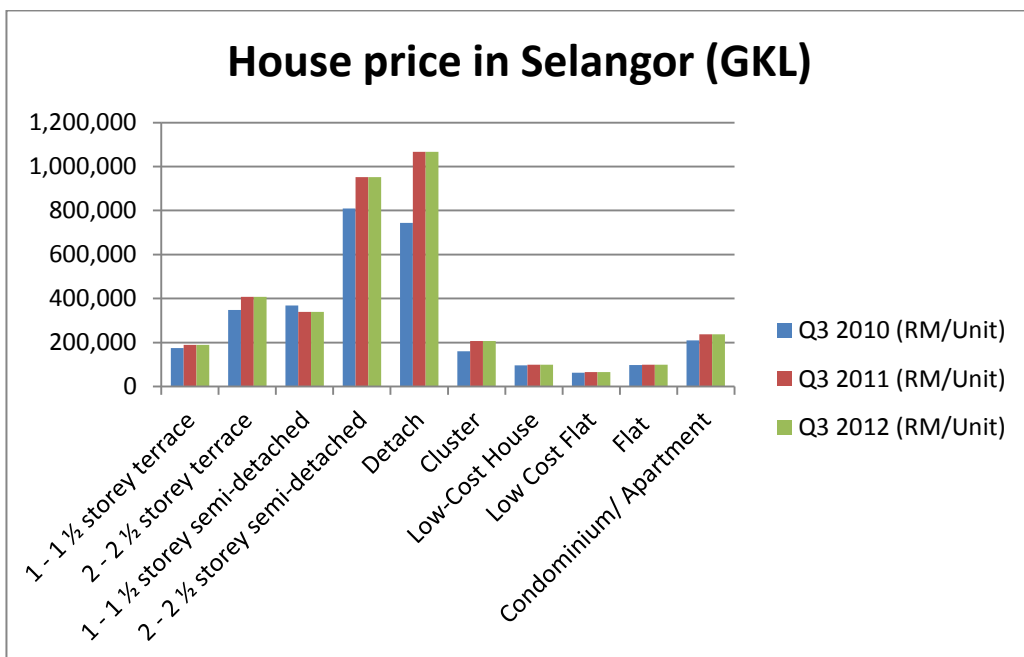


Figure 4.13 House price in Selangor (GKL)  
Source: NAPIC (2012)

In contrast, the average house price scenario in Selangor (parts of Greater KL) is different (see Figure 4.13). The average house price for condominium/apartment is RM 210,326 in 2010 and RM 237,612 in 2011 and 2012. As for 2-3 storey terrace house, the house price increase from RM 348,585 in 2010 to RM 407,952 in 2011. In Putrajaya,

the average 2-2 1/2 storey house is RM 407,500 in 2010 and increase to RM 461,000 in 2011. The housing price is increasing at a lower rate in 2011. According to the Valuation and Property Services Department, the national house price index increase 3.4% from year 2010 to year 2011. However, the housing price index (HPI) shows that the house price has decrease from year 2011 to year 2012.

The house price is slowly decreasing due to a stricter lending guideline imposed by the Bank Negara Malaysia (BNM) but the housing market remains strong. In 2012, Bank Negara Malaysia (BNM) has implemented stricter lending rules. This involve in the assessment of mortgage eligibility whereby it will be based on net income considering statutory deductions for tax, Employees Provident Fund (EPF) contributions and all other debt obligations. Apart from that, the base lending rate (BLR) has also increase from 5.5% in 2009 to 6.5% in 2012. This takes a toll on housing market entrants on their housing consumption especially in terms of financial capability. With the volatility of house price in major working locations such as Kuala Lumpur, coupled with the stricter lending rules, pose housing affordability problems. Kuala Lumpur has the most expensive house price followed by Sabah and Selangor.

#### **4.5 Housing policy and schemes at national and local level**

In the National Housing Policy (2011), there is an added focus on middle income households in the housing sector. With previous emphasis on low income households, the new recognition of middle income households in the National Housing Policy (NHP) has highlight that there this income household has problems in housing. This is crucial in urban housing areas where the inclination of house prices and household income seems to have a wider gap with each other. The problem of urban housing areas was resulted from the urbanisation where households in rural areas migrated to urban

areas for better opportunities in the job sector and to have better living standards as mentioned previously.

Conversely, the state has intervened through the NHP, 1Malaysia People Housing Scheme and My First Home Scheme (see Figure 4.14). The National Housing Policy still holds the state to the responsibility to assist the housing welfare of the low income households. But, in the NHP that was introduced in 2011, there is a statement on encouraging private developers to develop more affordable housing for not only the low income household but also the middle income household. However, the intervention of the state in this sense is only in terms of words of encouragement with no incentives as indicated in the NHP.

However, the subsidised housing scheme, 1Malaysia People Housing Scheme (PR1MA) was introduced by the Prime Minister Office make up for the missing aspects in state intervention. The main focus of PR1MA is on affordable housing for the middle income households and there are eligibility criteria to be part of the housing scheme. The applicants for the housing scheme have to earn RM 2,500 to RM 7,500 monthly of individual household income or combine household incomes and the house has to be owner occupied with a 10 year moratorium. This exudes housing production, housing exchange and housing consumption in state intervention.

Though, PR1MA acts as a government agent under the Prime Minister Office and is not link to the Ministry of Urban Wellbeing, Housing and Local Government. Moreover, the My First Home Scheme (MFHS) focus in assisting households below 35 years old in entering homeownership. MFHS aims to relieve YWH in terms of housing loan for house price between RM 100,000 to RM 400,000. Similar to PR1MA, MFHS also has eligibility criteria for applicants to apply and require the applicants to reside in the

house purchased through MFHS. In this aspect, the state intervened in terms of housing exchange and housing consumption but not in housing production.

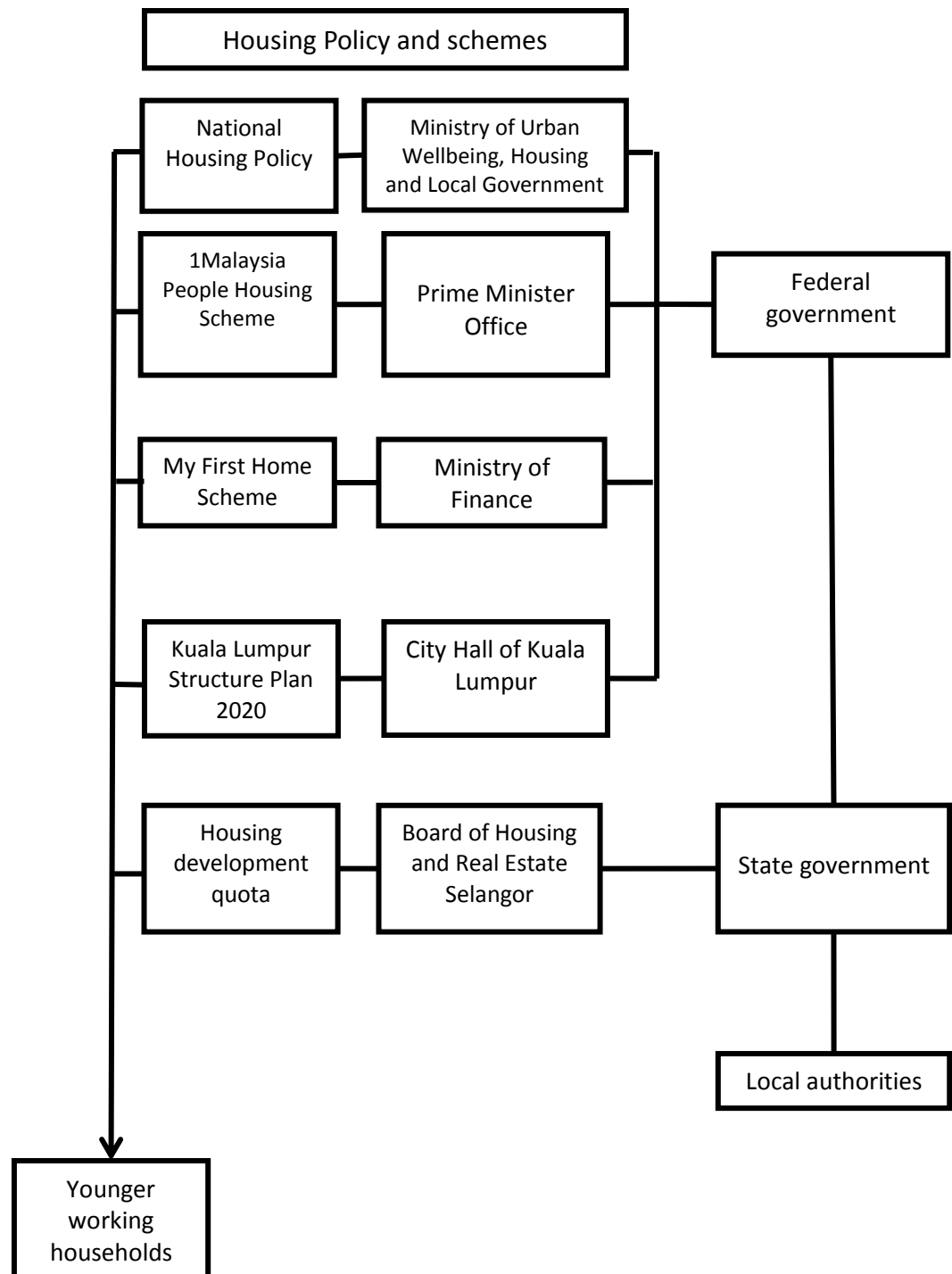


Figure 4.14 The structure of housing policy and schemes in Malaysia  
Source: Author

Furthermore, the state has also introduced and enacted laws on Real Property Gain Tax (RPGT) to curb speculation activities in the housing market. In accordance to the RPGT, the government proposed that the RPGT from the disposal of properties made within a period not exceeding 2 years from the date of purchase will be taxed at the rate of between 15% and 10% of disposal of property within a period of 2 to 5 years. For property disposed after 5 years from the date of acquisition, RPGT is not applicable. In addition, gains from the disposal of one residential property once in a lifetime and disposal of properties based on love and affection between husband and wife, parents and children, grandparents and grandchildren are exempted from RPGT. Even though the introduction of RPGT has helped in lowering house price speculation in the housing market, house prices especially in urban areas is increasing due to other factors that needs serious attention from the state.

#### *National Housing Policy*

The NHP was introduced on 10 February 2011 by the Prime Minister Department. Before the introduction of the NHP, the housing policy is integrated in the Malaysia five year plans. NHP is a follow up to the Tenth Malaysia Plan (10MP). Previously, the housing policy in Malaysia focus is mainly on low income group and poor households and the implementation and delivery of social housing and low cost houses. The NHP reinforced that low cost houses ownership and sale of the low cost house will be controlled to avoid speculation. Due to the weakness of housing policy previously, the federal government will engage with state government to help with this matter. The NHP recognised middle income group as those who earn between monthly of RM 2,500 to RM 3,999. The state government is encouraged to provide medium cost houses. According to the Minister of Housing and Local Government (MHLG) Malaysia (2011), Dato' Chor Chee Heung, the NHP is not new because housing policy in

Malaysia had existed prior and the NHP is systematic and proper and will be an easier reference for everyone.

The goal of the NHP is to provide adequate, comfortable, quality and affordable housing to enhance the sustainability of the quality of the people's lives (National Housing Policy, 2011). NHP is needed to provide the direction and basis for the planning and development of the housing sector by all relevant ministries, departments and agencies at the federal, state and local levels as well as the private sector. In the latest edition of the NHP (2011), there are six thrusts and twenty policy statements to achieve the objectives. For this study, the first and fourth thrusts are deemed related to the purpose of the study.

The first thrust is the provision of adequate housing based on the specific needs of target groups. The government strive to ensure every person is able to own or rent a house. Housing for the low income-group which is those who earn a monthly household income of less than RM 2,500 are not adequate. Therefore, the government and the private sector will continue to provide affordable housing for sale or rental especially for the low income group, disabled, senior citizens and single mothers. There is also encouragement from the government for the private sector to develop medium-cost houses to fulfil the needs of the middle income group with a monthly household income of RM 2,500 to RM 3,999.

The first policy statement of the first thrust is enhancing the role of the state government agencies, besides the federal government agencies and the private sector in continuing the efforts of providing affordable housing for sale or for rent. The second policy statement is providing housing for all especially low-cost houses for the low-income group and encouraging the provision of medium-cost houses for the middle-income group and the final policy statement is that State Governments are given flexibility in

determining the quote of low-cost houses to be built in mixed-development areas based on the suitability of the location and local demand. Even though the government are aiming to help every person to own or rent a house, the focus is still on the low income group. There is some light on the middle income group but it seems the fate of the group to own a house is held by the private sector. The middle income group pose as the largest income group pool and the policy will not provide for them, rather will only assist them in other methods to soften the degree of housing affordability problems.

The fourth thrust of the NHP is improving the ability of the people to own and rent houses. This is all about affordability especially for low-income and middle-income group. In the housing sector, factors such as affordability, cost of development and selling price frequently influence supply and demand in the housing sector. As stated in the NHP, housing developments are concentrated in high-density urban and suburban areas currently. This is due to purchasing power and markets are massive in the said areas. Conversely, there should be a balance between current housing needs especially for low-income and middle-income groups. In this case, a comprehensive and complete approach is introduced through the NHP to increase the accessibility to own or rent the houses in each area. The first policy statement of the fourth thrust is setting prices for low-cost house as well as controlling ownership and sales to avoid speculation. The second policy statement is setting a realistic rental rate for low-cost houses and lastly, the third policy statement is providing financial support for the low-income group in order to own houses.

The government has taken initiative steps to control low-cost housing ownership to avoid speculation. Rental rate for low-cost housing will also be looked into and the government will provide financial support for the low-income group to own a house. Basically, the government has to the foundation to assist the low-income group, which is understandable due to the poor income level. However, there are emerging problems



among the middle-income group to purchase a house. Furthermore, the emphasis of middle-income group in the NHP is low. Even more, low-income group are given privileges to own a house and even pay a realistic rental for a roof over their heads whilst middle-income group are left fending for themselves in the housing market. The increase number of private property developer in building high end property (Tan, 2011) will affect middle-income group in house purchase and rent.

### *My First Home Scheme*

My First Home Scheme (MFHS) is a scheme introduced by the government in March 2011. It targets to help youth who has just started working and earn less than RM 3,000 a month to own a house. The scheme aims to provide opportunities to the younger generation to own a house as soon as possible. The younger generation under this scheme is eligible for a 100 per cent loan from associated banks to purchase their first house. This is in line with the government's goal to increase home ownership among Malaysian citizens. The scheme will bear 100 per cent housing loan and is only for residential units only.

The purchaser has to have the eligible criteria below:

- i. A Malaysian citizen
- ii. A first time home buyer
- iii. Age 35 years old and below
- iv. Gross salary of not more than RM 3,000 a month
- v. Works for more than 6 months with the same company
- vi. The monthly instalments cannot be more than 1/3 of the monthly income.

The amount can be up to 50 per cent depending on the banks terms and condition

The first time home buyer are entitled to residential units throughout Malaysia with a minimum price of RM 100,000 and a maximum price of RM 400,000 and must accommodate the house and are not permitted to collect rent. The housing loan repayment is up to 30 years. The housing loan is 100 per cent whereby the 10 per cent housing deposit will be guaranteed by Cagamas SRP Berhad. The monthly instalment will be through salary deduction every month or any other permanent order. The first time purchaser is required to keep the records and fire insurance is an obligation. Application for the loan can be made at the associated banks and it is only open to those who are working in the private sector. Majority of Malaysians (refer Table 4.8) own their home and because of that, YWH had the same impression they can afford to buy a house when they started working (refers to fresh graduates).

Table 4.8 Percentage distribution of households in type of ownership in 2012

	<b>Own</b>		<b>Rent</b>		<b>Quarters</b>	
	Total	Urban	Total	Urban	Total	Urban
<b>Malaysia</b>	74.5	70.9	20.2	24.8	5.3	4.3
<b>Kuala Lumpur</b>	50.8	50.8	42.7	42.7	6.5	6.5
<b>Selangor</b>	69.4	68.6	28.7	29.3	1.9	2.1
<b>Putrajaya</b>	4.3	4.3	7.4	7.4	88.3	88.3

Source: Department of Statistics (2012)

#### *1Malaysia People Housing Scheme*

The Prime Minister introduced the 1Malaysia people's housing project (PR1MA) to focus on supplying affordable housing especially for the middle income group. PR1MA was established under the PR1MA Act 2012 to deliver and maintain affordable homes for the predominantly "M50" or middle 50% of Malaysia's population living in urban areas. PR1MA has also launched the national registration for those who are eligible to apply for PR1MA houses. The national registration for housing under PR1MA acts to measure accurate demand of housing from the applicants. The eligibility criteria are as of Table 4.9.

Table 4.9 Eligibility criteria for PR1MA

Eligibility criteria
<ul style="list-style-type: none"> <li>• Applicant must be a Malaysian citizen.</li> <li>• Applicant must be at least 21 years old at the time of the application.</li> <li>• Open to Individuals or Families (husband and wife) with an average monthly household income of between RM2,500 – RM7,500</li> <li>• Those who currently own no more than one property</li> <li>• Additional guidelines set-forth by states</li> <li>• PR1MA homes will be allocated through an open balloting process.</li> <li>• Selection of house units by the successful balloted owner will be based on the balloting sequence.</li> <li>• A 10-year moratorium will be imposed, during which the property cannot be sold or transferred to another party without prior approval from PR1MA.</li> <li>• PR1MA homes must be owner occupied.</li> </ul>

PR1MA is enacted under the PR1MA Act 2012. This act governs the work process of PR1MA in terms of electing monitoring body and performing the mandate given to them by the Government. This shows PR1MA is a long term project under the Najib's administration and is an intervention by the government through a legal framework as well. However, Azlinor (2012) argued that the provisions of PR1MA is only a myth because there is no comprehensive statutory provision and thus is not able to support the intention of the state.

However, PR1MA is continuing its goal to build affordable housing in major locations in Malaysia. In 2013, the state has allocated RM1.9 billion to build 123,000 affordable housing in strategic locations. Among that amount, RM500 million will be spent by PR1MA to build 80,000 affordable houses in major locations such as Kuala Lumpur, Shah Alam, Johor Bahru, Seremban and Kuantan with selling price between RM 100,000 and RM 400,000 per unit. The house prices will be under 20% lower than the market price. PR1MA will provide the Housing Facilitation Fund totalled at RM500 million to build houses in collaboration with private housing developers.

PR1MA is expected to deliver 20,000 PR1MA homes in Greater KL, Johor, Penang, Sabah and Sarawak under its first phase. As of 2013, PR1MA Corporation has approved 15 affordable housing projects to develop in those locations. These new developments are under Phase 1 of the PR1MA programme. PR1MA aimed by end of 2013, they have met with 80,000 PR1MA homes. PR1MA's plan is to deliver 500,000 units of affordable homes by 2018. Moreover, PR1MA has identified two strategic locations in Kuala Lumpur that will benefit the middle 50% of Malaysia's population living in the urban areas. PR1MA offers units ranging from 1,400 sq. feet and 1,700 sq. feet for landed properties and between 670 sq. feet and 1,300 sq. feet for high rise properties. The affordable price that PR1MA offers is made possible through PR1MA's employment of sustainable cost management strategies and optimises costs throughout sourcing of land and materials, design and planning and building as well as funding activities. However, home financing of PR1MA homes are to be arranged by successful applicants. Furthermore, there is a 10-year moratorium where the PR1MA house cannot be sold or transferred to another party. Successful applicants are also not allowed to sub-let the PR1MA homes.

Additionally, PR1MA Corporation does not only focus on supplying affordable housing but also towards encouraging affordable lifestyle and technology and cost saving home building. PR1MA does not only focus on the needs of this group but the wants as well. Moreover, PR1MA houses will be built through Japanese technology. Through this technology, PR1MA aims to achieve high quality prefabricated modular houses with 90% off-site manufacturing and 10% on-site construction target. PR1MA is also active in promoting PR1MA housing scheme through road shows and promotional booth all over Malaysia.

### *Housing policy in Selangor*

The state government in Selangor intervened in housing development through approving housing quota based on the type of residential building. It is based on land size where as if the residential building is more than 10 acres, the percentage to build low cost, medium low cost and medium cost is referred to table 4.10. Presently, even though there is a requirement for private housing developers to include affordable housing in their projects, it is rarely adhered to (Tan, 2011). It is argued that is it because of the absence of large-scale developments that makes it uneconomical to comply as today's development are on smaller plots of land.

Table 4.10 Percentage of type of residential building for land more than 10 acres

<b>Type of residential building</b>	<b>In the municipal/city council</b>	<b>In the district council</b>	<b>Outside of district/municipal/city council</b>
<b>Low cost house</b>	20%	20%	20%
<b>Medium low cost house</b>	20%	20%	10%
<b>Medium cost house</b>	10%	10%	10%
<b>Other type of residential building</b>	No fix percentage (indicate house price)		

Source: Adapted from Wan (2013)

The provision of affordable housing in the residential development has to also comply with the house price controlled by the state government. For land size of more than 10 acres, only low cost house, medium low cost house and medium cost house have a restricted house price (see Table 4.11). Similarly, for land size less than 10 acres, the house prices are restricted (see Table 4.12). According the Lembaga Perumahan dan Hartanah Selangor (LPHS) guidelines, there is a minimum bumiputera quota and a discount of 7% on house prices. Other conditions for residential development under this state government are,

- i. Multiple storey low cost houses that require strata titles must be built on different lots from other type of buildings.
- ii. Owner of land must build low cost house first before building other residential buildings
- iii. If it involves squatters, the price of low cost house has to be offered at RM 35,000 per unit.
- iv. Bumiputera quota is based on the Selangor housing Blue Print (2004-2014)

Table 4.11 House price based on type of residential building of land size more than 10 acres

Type of residential building	In municipal/city council area	In district council area	Outside area of district/municipal/city council
	Price (RM)	Price (RM)	Price (RM)
Low cost house	42,000	35,000	30,000
Medium low cost house	72,000	60,000	50,000
Medium cost house	100,000	85,000	70,000
Other types of residential building	Unrestricted (indicate house price)		

Source: Adapted from Wan (2013)

Table 4.12 House price based on type of residential building of land size less than 10 acres

Land size	Type of residential building	In municipal/city council area	In district council area	Outside area of district/municipal/city council
		Price (RM)	Price (RM)	Price (RM)
2 till not less than 10 acres (in Klang Valley)	30% low cost house	100,000	85,000	70,000
	Other type of residential building	Unrestricted (indicate house price)		
5 till not less than 10 acres (outside of Klang Valley)	30% low cost house	100,000	85,000	70,000
	Other type of residential building	Unrestricted (indicate house price)		

Source: Adapted from Wan (2013)

Housing policy in the jurisdiction of Kuala Lumpur is incorporated in the Kuala Lumpur Structure Plan (KLSP). The housing policy includes policies on housing quality of housing environment, low cost and public housing, temporary housing and dilapidated housing. Other than that, it includes housing provision in general, low-medium cost and medium cost, public housing, housing for special needs groups, housing for public sector employees. Distribution of housing according to type, location in the city centre, housing density and existing housing along major roads are also integrated in the housing policy based on KLSP. The policies are summarised in table 4.13 where City Hall of Kuala Lumpur (CHKL) shall:

Table 4.13 Housing policy in Kuala Lumpur

HO1	Encourage responsible parties in the housing sector to develop good quality housing and living environments.
HO2	Encourage the private sector to develop a wider choice of innovative housing.
HO3	Together with responsible parties in the housing sector, develop and implement measures to upgrade the quality of existing old housing stock
HO4	Implement measures to ensure that all private flatted housing estates are properly maintained according to the minimum required standards.
HO5	Upgrade the standards of low cost housing.
HO6	Implement measures to improve the environmental quality of low cost housing
HO7	Develop and implement maintenance and upgrading schedules for public housing.
HO8	Review standards of construction, material and services for public housing.
HO9	Consolidate the management of low cost housing to ensure that only the low income groups are eligible to rent low cost houses.
HO10	Eradicate all squatter settlements and long houses.
HO11	Encourage the improvement and redevelopment of dilapidated housing areas.
HO12	<b>Ensure that there is sufficient affordable housing available to meet the needs of the population.</b>
HO13	<b>Encourage the building of low-medium and medium cost houses.</b>
HO14	Give priority to the tenants of public housing to purchase low-medium cost houses.
HO15	Continue to provide housing for rental at subsidised rates.
HO16	Together with the relevant agencies and the private sector, ensure the adequate provision of housing for special needs groups.
HO17	Together with the relevant agencies and the private sector, ensure the adequate provision of affordable housing for public sector employees.

Table 4.13, continued

HO18	Encourage the redevelopment of designated underutilised government land to provide high-density housing for public sector employees.
HO19	Ensure the proper distribution of housing units by type.
HO20	<b>Implement measures to increase the number of medium and high cost residential units in the City Centre.</b>
HO21	Improve the quality of low cost houses and low cost housing environment in the City Centre.
HO22	Review housing densities to be consistent with the development strategies.
HO23	Discourage existing residential usage along major roads from changing to commercial usage except in certain designated areas.

Source: Kuala Lumpur Structure Plan 2020 (2011)

CHKL aims to improve the quality of housing and housing environment; revitalise the City Centre by increasing the residential population; and eradicate substandard housing. For Kuala Lumpur to create an Efficient and Equitable City structure, CHKL aims to ensure sufficient housing to meet the demands of all income groups. Between 1980 and 2000, the housing stock grew by an average of about 10,000 additional units per annum. There is a slight overall shortfall in housing provision of 20,600 units if temporary housing is not taken into consideration. Types of housing are divided into three broad categories, namely low cost, medium cost and high cost. Medium and high cost housing is entirely produced by the private sector, while low cost housing is mainly provided from government housing programmes and from the 30 percent low cost housing quota imposed on private developers constructing new housing development.

In the year 2012, there was a significant shortage of low and medium cost units and a corresponding oversupply of high cost units which slowly decrease from the year 2011 (see Figure 4.15). The shortfall in housing for the middle income groups is especially of concern. Many of the people who fall into this category form a large part of the city's workforce and are essential for the functioning of its businesses and commerce. There has already been significant outmigration of the middle-income population to more affordable housing outside the city boundary, which has contributed to increased traffic demand to and from the city centre.



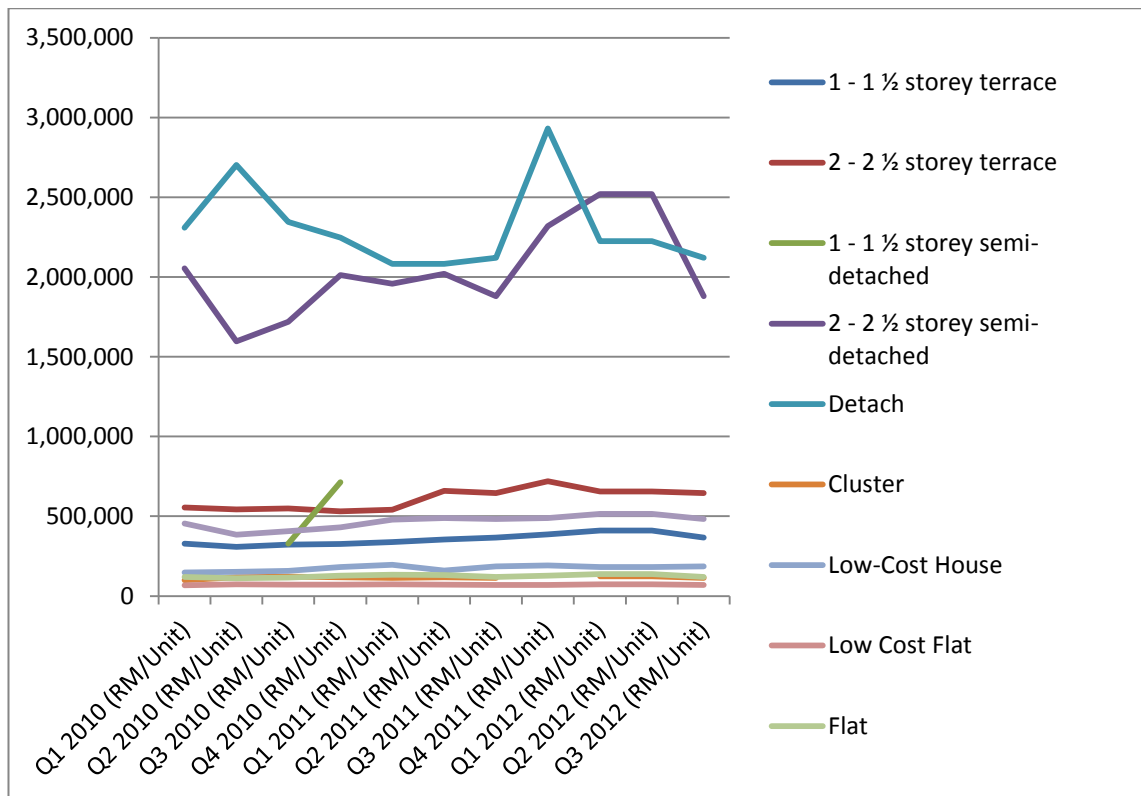


Figure 4.15 Sales prices of residential properties 2010-2012 in Kuala Lumpur  
Source: NAPIC (2012)

The decline in residential land use in the city centre is due to the redevelopment of some of the older housing areas into offices and other commercial uses. In addition to the areas of dilapidated housing in the city centre, there are many older, low density housing areas occupying land which has high potential commercial value. Pressures will remain on these remaining pockets of residential land to convert to more profitable land use, which, in turn, could lead to a further reduction in the inner city residential population. Although they are now as ubiquitous as conventional housing, condominiums were relatively new concept at the time that the original housing densities were determined. As a consequence of the growth in the number of condominium development, densities in housing areas have increased and are no longer consistent. The distribution of housing reflects the strategies to increase the population of the city centre.

#### **4.6 Summary**

The relations between the YWH and the state in Malaysia have changed over the decades (Abdul Rahman, 2013). They are dissatisfied with the rising cost of living and see themselves as an agent for change. Malaysia is a country that is growing with an almost level of maturity in terms of economy. Even though the situation that housing market entrants are facing is a challenge for most YWH, the state adhered to the problems. However, there is a need to examine these housing affordability problems among YWH to effectively deal with the said problems. It is clear that housing price and supply contributes to the housing affordability problems among YWH in Malaysia, especially in Greater KL. Though, there is state intervention through housing policy and schemes, the degree of the housing affordability problems are not properly addressed.

Greater KL has a total population of 6 million as of 2010. Greater KL is also the centre of Malaysia's industry and commerce that contributed more than 45% of the total amount of constructed houses in the country (Tan, 2012). Kuala Lumpur, Selangor and Putrajaya are located in Greater KL which is the most urbanised region of Malaysia where Kuala Lumpur and Putrajaya has achieved 100 percent and Selangor 91.4 percent of population is urbanised. Due to this, YWH working in GKL are chosen as the best case study area. The next chapter will further elaborate on the research methodology.

## **CHAPTER 5**

### **RESEARCH METHODOLOGY**

#### **5.1 Introduction**

Previous discussions in Chapter 2 and 3 have established an understanding of the housing affordability problems among YWH required considerably more than a simple analysis of housing affordability itself. Indeed, since research on housing for YWH is within the scope of housing policy and schemes, it requires empirical evidence. For this reason, the research draws on a particular focus on the conurbation of Greater KL.

The study adopts the case study approach. The case study in this study is Greater KL. Greater KL was chosen as the case study because of the urbanisation rate that is almost 100 percent. According to Jamalunlaili (2008), a city is considered an urban area if the urbanisation rate is more than 50 percent. The multi cases of this study will achieve the aim of examining the housing affordability problems among YWH in urban area. Furthermore, this chapter will primarily explain the research methodology, case study approach and design. This will be followed by explanation on data collection and sampling technique, data analysis and data validity.

## **5.2 Meanings of methodology**

There are three primary meanings to methodology in social research methods. According to Neuman (2006), the three primary meanings to methodology in social research methods are Positivist Social Science (PSS), Interpretative Social Science (ISS) and Critical Social Science (CSS). In this study, the meaning to methodology is towards CSS. CSS defines social science as a critical process of inquiry that goes beyond surface illusions to uncover the real structures in the material world in order to help people change conditions and build a better world for themselves (Neuman, 2006, p. 95). The goal of CSS research is to empower. Kincheloe and McLaren (1994, p. 140) stated that,

“Critical research can be best understood in the context of the empowerment of individuals. Inquiry that aspires to the name critical must be connected to an attempt to confront the injustice of a particular society or sphere within the society. Research thus becomes a transformative endeavour unembarrassed by the label “political” and unafraid to consummate a relationship with an emancipatory consciousness”

In this study, it is argued that the housing affordability problems among YWH are mainly attributed to social change. It was argued in Chapter 2 (section 2.3) that social change is defined as the change in the relationship between the state and YWH in providing affordable housing. The rise of these problems occurred due to the structural change when there is a conflict between the state and YWH. The context of the reason of the housing affordability problems of YWH in urban area is within the model of structure and agency. The structure and agency model (see Figure 5.1) is adapted in this study to further discuss the research questions of this study.

Based on this model, the research methodology is linked to provide the research design and present the empirical evidence. However, before the research design is explained, it is vital to discuss the research methodology in this study to ensure the research process is clear.

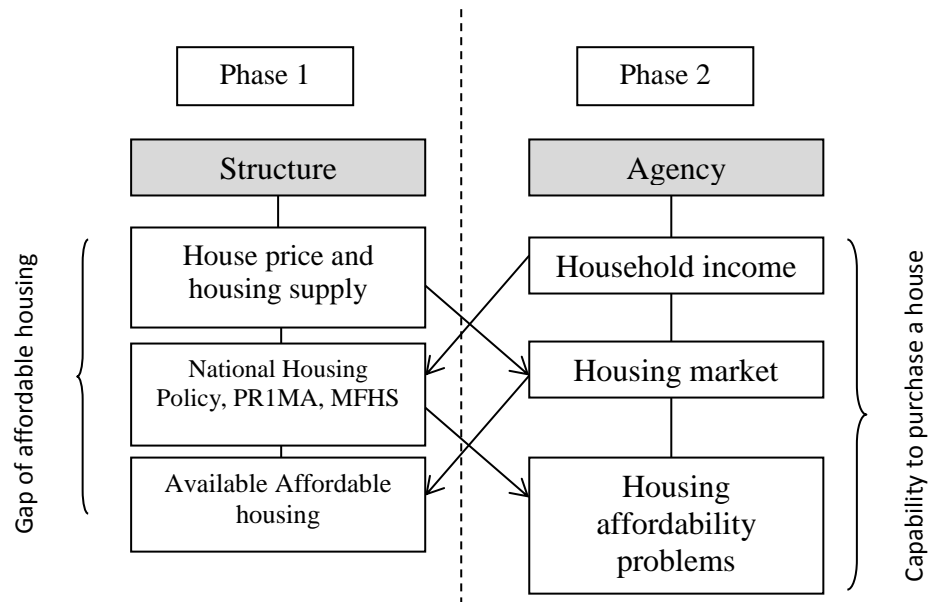


Figure 5.1 Analysis phases  
Source: Adapted from Jessop (2002)

Thus, the purpose of CSS in this study is to study the social settings of YWH to suggest change in the structural order to address the housing affordability problems. Even though, CSS approach is often adopted by community action groups, political organisations and social movement, it is important to emphasise that this study aim to examine the housing affordability problems among YWH. Due to this, the central meaning of the methodology approach is adapted to uncover underlying structures of the problem within the scope of this study. Furthermore, there is no specific technique of this approach. Therefore, this study adopts the case study approach to provide empirical evidence.

### **5.3 Case study approach**

The definition of case study in this study is case study is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009, p. 15-16). It covers logic of design, data collection techniques and specific approaches to data analysis. There are three types of case study research. The three purposes are exploratory, descriptive and explanatory. In case study research, there are five components of research design that are important. The five components are (Yin, 2009, p. 25),

- i. A study's questions
- ii. Its propositions, if any
- iii. Its unit(s) of analysis
- iv. The logic linking the data to the propositions
- v. The criteria for interpreting the findings

The main aim of this study is to examine the problems of housing affordability among YWH. This study further intends to address the policy implications of these problems. Four main research questions were addressed. Firstly, what are the problems faced by YWH in finding affordable housing. Secondly, what are emerging policy and schemes formulated to address these problems? Thirdly, to what extent should the state intervene in these problems? The case study approach is suitable for the purpose and scope of this study because this study aims to know whether the housing policy and schemes assist YWH in housing affordability problems or not. Therefore, the first component of case study research is fulfilled as appropriate research questions for a case study approach.

The second component is the study's propositions. Propositions direct attention to something that should be examined within the scope of study (Yin, 2009). For this study, the case study proposition consists of reason and rationale of the study. Reason of this case study is to examine the housing affordability problems among YWH with the rationale of limited government intervention to assist YWH especially in closing the gap of affordable housing for YWH. Even though there are housing policy and schemes introduced to help YWH, this study seek to discuss whether the housing policy and schemes introduced is sufficient to assist YWH in housing affordability problems. The third component is unit of analysis. Due to the study purpose of examining housing affordability problems among YWH, the primary unit of analysis is the individual (YWH). Consequently, the definition of 'case' in this study refers to the housing affordability problems of YWH (unit of analysis) in Greater KL. The fourth and fifth components are linking data to propositions and criteria for interpreting the findings. These components create a solid foundation for data analysis in this study. The analysis technique is based on descriptive framework of this study. The illustrative structure of this study is linear-analytic structure. The research process and design is referred to Figure 5.2 and Figure 5.3, respectively.

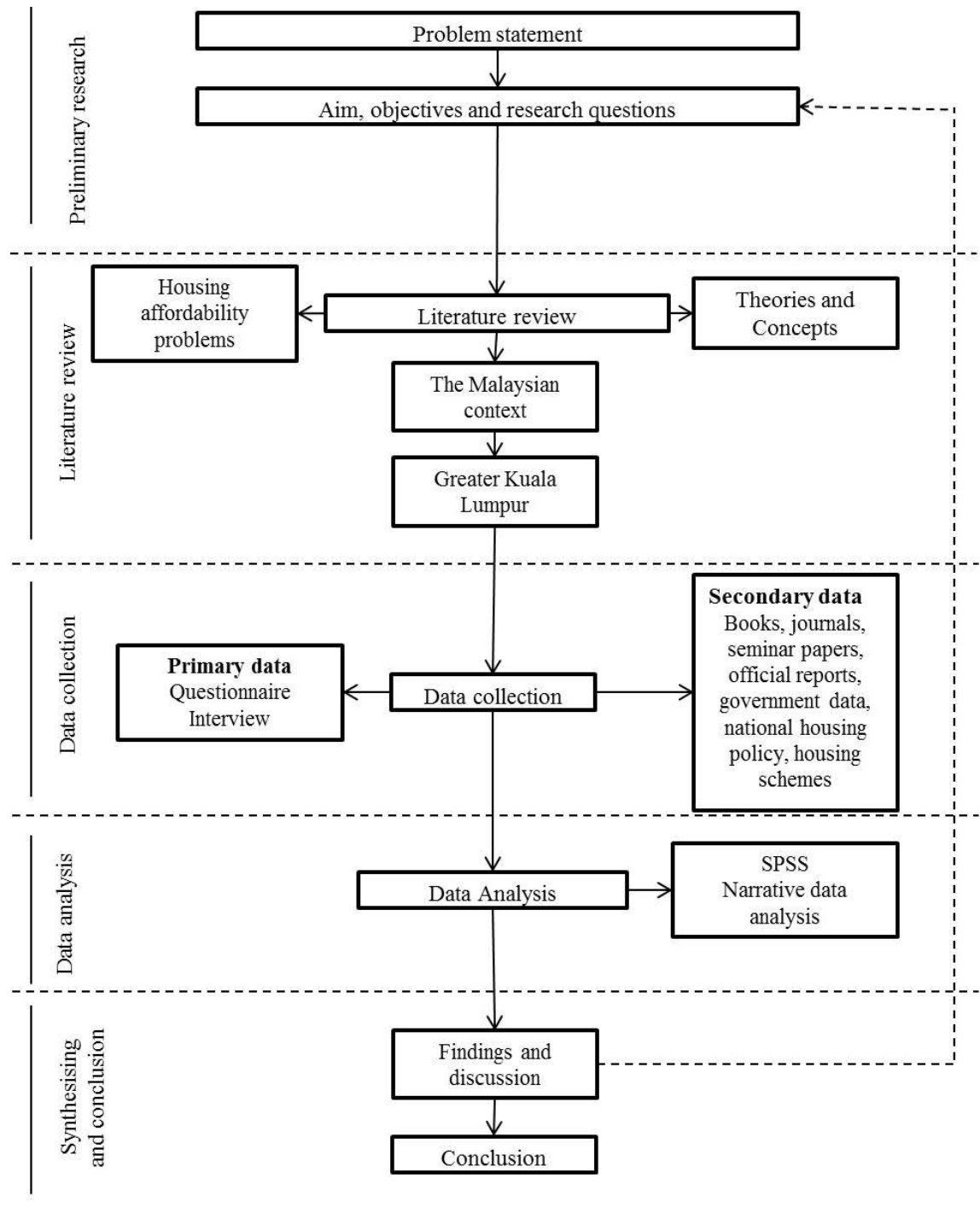


Figure 5.2 Research process  
Source: Author

The preliminary research involves vast literature review on housing affordability problems in the international perspectives and also at national level. The first research question is answered through literature review (international perspective) and questionnaire survey and in-depth interview (local perspective). The second research question is answered through literature review in both international and local



perspectives. Moreover, the third research question is sought through in-depth interview with state representatives in order to determine the role of state in addressing this problem. Lastly, the fourth question is answered through comprehensive analysis and summary of the findings.

The case study is YWH who are currently working in Greater KL, Malaysia. Greater KL is chosen as the location of the case study due to the rapid growth of urbanisation. Kuala Lumpur, Putrajaya and parts of Selangor collectively are Greater KL and have 100% of urbanisation except for Selangor that has achieved 91.4% of urbanisation (Department of Statistic, 2010). Furthermore, house prices in Greater KL are more expensive as compared to other locations (see Section 4.4 in Chapter 4). The relationship of Greater KL with YWH is significant in this study as it depicts living hardships in urban areas that has caused housing affordability problems among YWH.

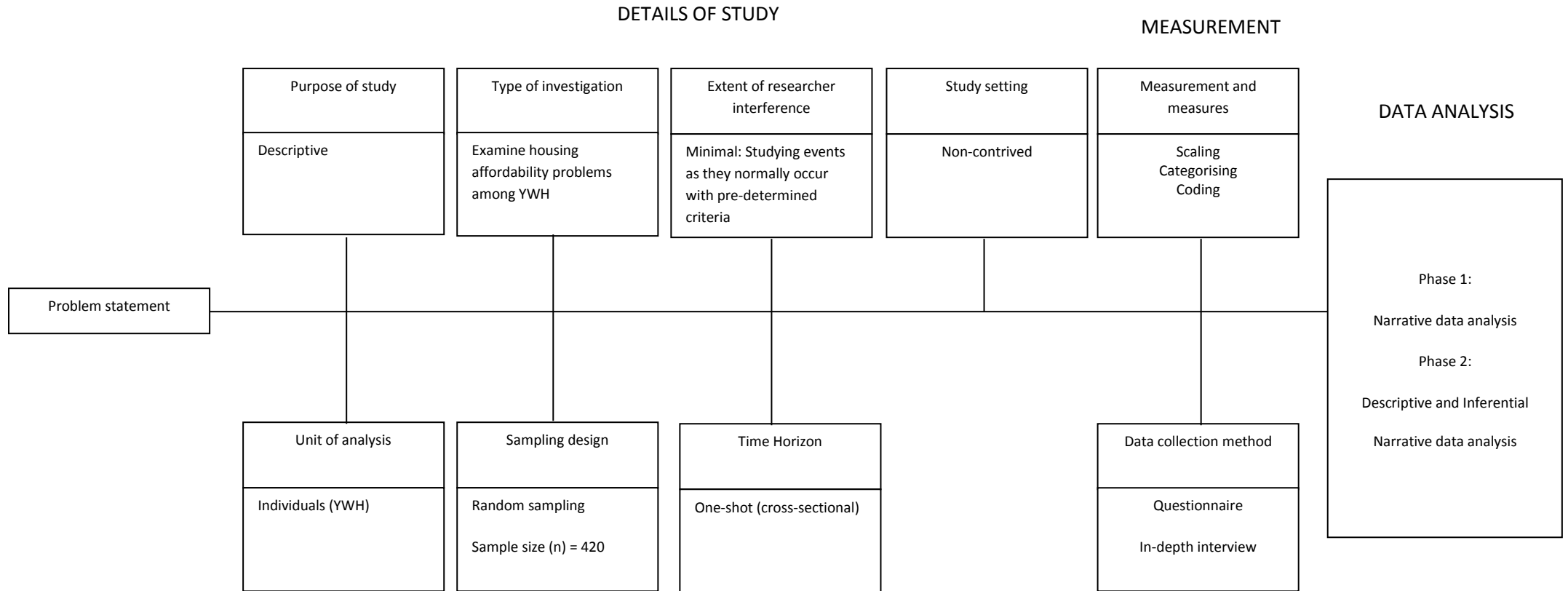


Figure 5.3 Research design  
Source: Adapted from Sekaran (2003)

## **5.4 Phase 1: Structure Analysis**

### *Data sampling and technique*

The in-depth interview is semi-structured in format as it provides additional detailed information compared to other data collection such as surveys (Guion *et al.*, 2011; Woods, 2011). Furthermore, the standardisation of some of the questions increases data reliability and semi-structured format questions gives a more relaxed atmosphere to collect information due to the conversational environment during the interview. The in-depth interview was conducted with state representatives who are the promoters of housing policy and schemes concerning affordable housing for YWH. The state representatives were selected based on their influence in promoting the housing policy and schemes in Malaysia. The state representatives from Ministry of Urban Wellbeing, Housing and Local Government, Prime Minister Office (for PR1MA), Ministry of Finance (for MFHS), City Hall of Kuala Lumpur, Board of Housing and Real Estate Selangor, Majlis Perbandaran Subang Jaya, Majlis Bandaraya Petaling Jaya.

The selected respondents must be willing to spend at least 30 minutes to be interviewed based on the semi-structured interview questions. As for the selection of representatives, the respondents chosen are based on who the state decided is best to represent them in this case. It should be noted that, the respondents for this in-depth interview are from the state and its affiliations involve in promoting the housing policy and schemes. Therefore, the in-depth interviews are considered to be fitting and eliminate the element of bias. The study interviewed seven respondents (n=7). The respondents were interviewed between 24<sup>th</sup> July 2012 and 25<sup>th</sup> October 2012.

The interview questions were set under four themes which are, housing affordability problems among younger working households, the challenge in addressing housing affordability problems among YWH, emerging housing policy and schemes to address housing affordability problems among YWH and recommendation to address this problem.

#### *Data Analysis from In-depth Interview*

Qualitative research is when a researcher describes the nature of characteristics of variables without measuring and comparing them (Thomson, 2003). This study analysed qualitative data through narrative data analysis. The first step in analysing the data is getting to know the data (see process is shown in Figure 5.4). The field notes and a few digital recordings (only a few respondents allowed digital recording) are transcribed into texts. The text is read and re-read to consider the quality of the data and proceed accordingly. The second step is focusing the analysis. The purpose of the evaluation is to determine the role of state in addressing the housing affordability problems among YWH. The focus of analysis is by question. The data is organised by questions to look across all the answers from the respondents in order to identify consistencies and differences. The third step is categorising the information. The crux of qualitative analysis is to bring meaning to the words by identifying themes or patterns and organising them into coherent categories (Taylor-Powell and Renner, 2003).

The coding generation included “expensive house price”, “limited housing choice”, “financial literacy” and many others. These coding were guided by the semi-structure interview. The field notes is labelled paragraph-by-paragraph and page-by-page basis. Coding categories were transferred to coded and categorised computer tables that included information such as source and quotes. Furthermore, the fourth step is to

identify patterns and connections within and between categories. This is done through the relative importance of the categories and counts the number of times the particular themes are identified. This will reveal the general patterns of the data. Apart from that, the relationship between and within categories are also sought to reveal connections of the categories. Lastly, the final step is interpretation where the themes and connections will explain the findings where it attaches the meaning and significance of the analysis.

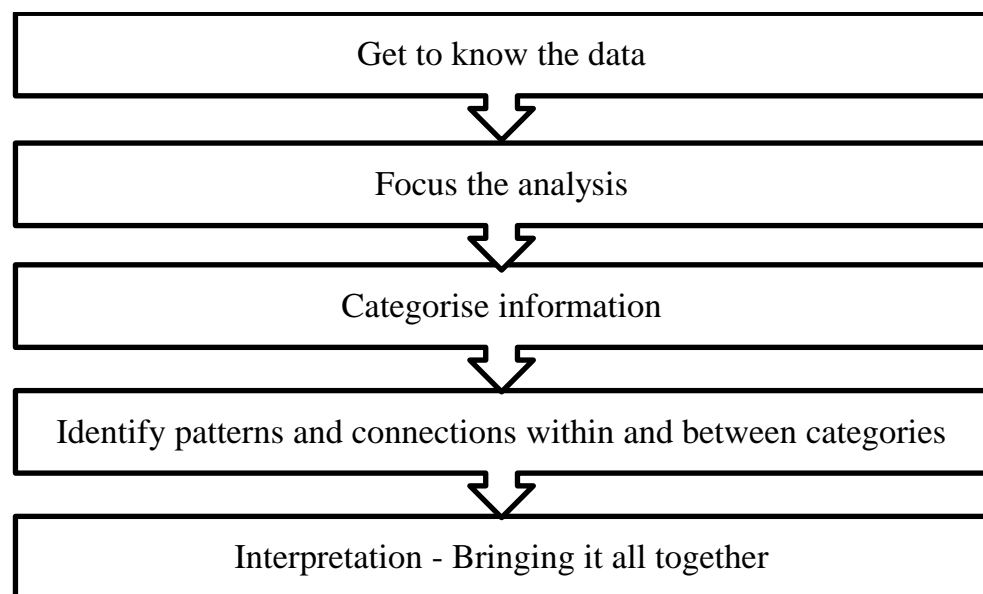


Figure 5.4      Analysing qualitative data  
Source:          Taylor-Powell and Renner (2003)

## 5.5      Phase 2: Agency analysis

### *Data sampling and technique*

The data was collected in five (5) regions of Greater KL (see Figure 5.5), namely, north region, east region, west region, south region and central region. The north region comprised of one local authority of Selayang. The east region comprised of two local authorities who are in Ampang Jaya and Kajang. The west region comprised of two local authorities as well which are, Klang and Shah Alam. The south region is represented by Perbadanan Putrajaya and Sepang.



Figure 5.5 Location map distribution of questionnaire survey  
Source: PEMANDU (2011)

Previous discussion in Chapter 4 stated that there is a substantial increase of graduates that entered the labour force market from the year 1982 to year 2010, with an exception of year 2007 (Department of Statistics, 2011). Graduates as defined by the Department of Statistics are those who have graduated with a Diploma or Bachelor Degree. However, based on the study by Wan *et al.* (2010), the proportion of middle income households are from the professional field and are graduates with a Bachelor Degree. Due to this, YWH in this study are graduates with a minimum of Bachelor Degree and is a member of the middle income households.

The sampling technique in this study is simple random sampling with pre-determined criteria. The sample size of the respondents is based on the population of YWH (aged between 20 to 39 years old) in Greater Kuala Lumpur as reported by the Department of Statistics (2012) (see Table 5.1). The sample size was determined by Krejcie and Morgan's (1970) table of determining sample size. According to them, as the population

increases, the sample size increases at a diminishing rate and remains relatively constant at slightly more than 380 cases. The total population of respondents aged 20 years old to 39 years old in GKL is 2,603,283 (Department of statistic, 2012). Based from the Krejcie and Morgan's (1970) table, the sample size is relatively constant at slightly more than 380 cases when the target population is more than 1,000,000. Therefore, the study targeted a sample size of 420 respondents to enhance reliability.

Table 5.1 Population of YWH in GKL by age group

<b>Local Authority in GKL</b>	<b>Number of population</b>
Putrajaya	33,164
Kuala Lumpur	623,828
Selayang	215,399
Ampang Jaya	192,761
Klang	292,191
Shah Alam	239,893
Petaling Jaya	268,645
Subang Jaya	317,251
Sepang	90,439
Kajang	329,712
<b>Total</b>	<b>2,603,283</b>

Source: Adapted from Department of Statistics (2012)

### *Questionnaire Survey*

#### *Pilot study*

A pilot study was conducted in order to test and confirm the questions in the survey. According to Naoum (2007), good research practices start with pilot study before actual study is carried out. This is to trace any discrepancies in the questionnaire designs. The pilot study was conducted through quantitative survey and data collection method was based on face-to-face interview. Yin (2004) argued that the ability to redefine the study case is after collecting some early data from pilot study. The main purpose of the pilot study is to ensure whether the respondents understand the questions in the survey sheets and to avoid misinterpretations (Naoum, 2007). Besides, there are few matters that have to be assured in the pilot study as mentioned by Naoum (2007) namely; time period to

answer questionnaire; clarity of the questions and instructions; sensitive questions that respondents reluctant to answer; ensuring the questionnaire has covered all important topic; layout is cleared and attractive and, consideration of comments and suggestions by respondents.

This was addressed successfully in the pilot study. The pilot questionnaire survey was tested on 50 respondents. The time period to answer the survey was taken and is considered to be about 30 minutes. The respondents understood the questions well and suggested additional questions. Respondents' viewpoint was very much appreciated and has contributed immensely in finalising the final questionnaire survey for this study.

The suggested additional questions are on the extension of housing affordability problems of YWH in GKL. Majority of the respondents recommended to ask on factors that affect house prices. Therefore, question 36 to 38 in the final questionnaire survey were included to measure house price as one of the factors of housing affordability problems. Furthermore, majority of the respondents also suggested to delete questions on their allowances, bonuses and benefits from their employer because they do not remember all of them and can pose a problem in the data. Thus, these questions were not included in the final questionnaire survey and the study focuses on their salary income only.

#### *Final questionnaire survey*

The questionnaire survey was conducted with YWH aged between 20 to 39 years old. The distribution was random with pre-requisite conditions which are, possessed a minimum of bachelor degree and currently working in GKL. The sample size is 420 respondents and the distribution is based on the population of YWH in local authorities in GKL. The number of distribution for questionnaire survey is based on the percentage of YWH population by regions. For example, the central region consists of Kuala



Lumpur, Petaling Jaya and Subang Jaya with the total amount of 1,209,724 YWH populations which accounts to 45 percent of the total YWH population in GKL. Therefore, 190 respondents are then based on the population within the local authorities in the region and resulted to the number of distribution in Table 5.2. The sampling was random and snowballing technique was applied whereby the respondents identify their acquaintances of the same targeted group to be potential respondents for this study.

Table 5.2      Number of distribution for questionnaire survey	
<b>Local authority</b>	<b>No. of distribution</b>
MP Selayang	40
MP Ampang Jaya	40
MP Kajang	40
DB Kuala Lumpur	90
MB Subang Jaya	45
MB Petaling Jaya	45
MB Shah Alam	40
MP Klang	40
Perbadanan Putrajaya	20
MD Sepang	20
<b>Total</b>	<b>420</b>
Source:                      Author	

The questionnaire survey has 53 questions with an allocated time of less than 45 minutes per respondents. The questionnaire survey was self-administered. In this study, the questionnaire survey is conducted to seek perceptions on housing affordability problems. There are 5 parts in the questionnaire survey namely, Part A to Part E (see Appendix A).

In part A, the respondent's profile is captured. This include, their age group which is either 20 to 24 years old, 25 to 29 years old, 30 to 34 years old and 35 to 39 years old, gender, ethnic, marital status and highest education level. The respondent's was also asked whether they are a homeowner or otherwise. For part B, the respondents were asked on their current employment background. The questions include their occupation, location of work place, current gross monthly salary and total years of working

experience after graduation of Bachelor Degree. The focus of this part is to capture their working background including gross monthly income.

The focus of part C is to capture the total household income if the respondent is married. It will also capture employment background of spouse. For part D, the respondents answer questions on their current residence. This part described the current residence of the respondent in terms of location, type of house, period of living and also the best description of their current residence which are either own, rent, family residence or others. Consequently, there are two sub-parts whereby if the respondent owns the house, the respondent will answer what is the price of the house, how did they own the house and their monthly mortgage. If the respondents are currently renting, the respondents' are asked on their rental per month, other payments as a tenant and also on financial assistance to rent the house.

Lastly, part E obtained data on respondents' perception on housing affordability problems. This is divided into 5 themes which are housing affordability, housing price, household income, housing choice and housing policy and housing schemes. As soon as the questionnaire survey was finalised, the questionnaire survey was conducted on 2<sup>nd</sup> July 2012 until 3<sup>rd</sup> August 2012. The survey managed to capture more than the target sample respondents with most respondents from Kuala Lumpur but only 420 respondents are selected in this study. No significant problems were encountered during the questionnaire survey.

#### *In-depth Interview*

In-depth interview was also conducted to gain further insights on younger working households' perceptions on housing affordability problem. The respondents for the in-depth interview were selected from respondents who have also answered the survey questions. The respondents were identified through their eagerness of sharing their point

of view on this matter. A total of eight (n=8) respondents are involved. The respondents were selected based on the same criteria of YWH for the questionnaire survey. However, the respondents for in-depth interview are not homeowners. To ensure YWH are represented appropriately, the age group was divided into four (4) subgroups, which are, 20 to 24 years old, 25 to 29 years old, 30 to 34 years old and 35 to 39 years old. Each subgroup is represented by two respondents, one (1) female and one (1) male. The interview is in semi-structured format.

The respondents were asked on housing affordability problems, cause of the housing affordability problem, affordability among young households, effective mechanism in helping young households housing affordability problem and implications of state intervention in this problem. The respondents were interviewed between 5<sup>th</sup> July 2012 and 30<sup>th</sup> July 2012.

#### *Data Analysis from Questionnaire*

The data from the questionnaire survey is analysed with the IBM SPSS software. A normality test was conducted before further analysis of the data. Due to the characteristics of parametric test and non-parametric test, this study analyse the data using the Pearson correlation test, Mann-Whitney U test, and Spearman correlation test (Chua, 2008). The descriptive analysis in this study calculated the frequency, mean and median of the distribution. Firstly, the analysis described the socio-demographic profile of the case study which is the YWH in Greater KL. The data of YWH who are homeowners are separated and discard from the analysis in this study. The important point of the collection this data depicts the housing status of YWH in urban area. Nominal scale data was cross-tabulate in order to discuss on the connection of location of work place and location of current residence and also on the current residence and location of current residence. The purpose of this analysis is to ascertain the geographical position

of YWH in Greater KL. Additionally, this analysis discussed the current residence status of YWH which are either rent, family residence or others.

Secondly, the analysis further discussed on the identified housing affordability problems (from Chapter 3) of house price, household income and housing choice of YWH. The distribution of gross monthly income of YWH is discussed before both of these ratio scales are tested for correlation. The Pearson correlation test was used to find whether there is a significant correlation between income and consumption of YWH in Greater KL. Furthermore, data gathered from NAPIC (2012) on housing supply and house prices was also briefly described. From all this information gathered, a match of household income, house price and housing supply were analysed to discuss the housing affordability problems among YWH in terms of limited choice in the housing market.

Thirdly, the Likert scale data of perceptions on housing affordability problems among YWH is analysed. Cronbach Alpha is conducted to ensure the Likert scale data is reliable. The questions on perceptions of housing affordability problems are based on 1 to 5 point Likert scale (Vagias, 2006). The level of agreement of the Likert scale is (1) for strongly disagree, (2) for disagree, (3) for neutral, (4) for agree and (5) for strongly agreed. The data is analysed and presented through box plot graphs. The relationship of the housing affordability problems perceptions is analysed with age groups, range of gross monthly income and location of work place. The median of the ordinal scale score of the housing affordability problems perception is descriptive analysed to seek this relationship. Moreover, the correlation of this relationship is analysed by using the Spearman correlation test. This test is significant to determine different perceptions on housing affordability problems among age group, range of gross monthly income and location of work place.

Overall, the analysis of this data will answer the first research question which is what the housing affordability problems among YWH are. The analysis and discussion argue on the link between house price, household income and housing choice as housing affordability problems among YWH in Greater KL. In addition, housing policy and schemes are discussed based on this link between house price, household income and housing choice. This further extends to seek in-depth insights on the housing affordability problems through in-depth interviews with YWH and answer the second research question which is what are emerging housing policy and schemes to address this problem.

#### *Data Analysis from In-depth Interview*

The data from the in-depth interviews with YWH are analysed through similar process as the in-depth interviews with the state representatives (see Figure 5.4).

### **5.6 Data Validation**

Reliability and validity of measurement are important in an empirical research. As suggested by Neuman (2006), a number of research strategies are used in this study by standardising the research procedures and conducting a pilot study. Trochim and Donnelly (2007) define validity as rationality, legitimacy and approximation of truth, while Sekaran (2003) term validity as truthfulness. There are two aspects of validity, which are, the measuring instrument only measures the concept of the research and that the concept is measured accurately (Neuman, 2006). The validity in quantitative research can be measured by tests that are important to demonstrate a fixed correspondence between the concept of the research and the empirical appearance (Neuman, 2006). However, the validity in qualitative research is more towards the authenticity of the viewpoint. The use of qualitative approach instruments such as in-

depth interview will help the researcher to achieve more insight and detailed information as apart from answering questions of the research.

The data validation in this study is achieved when the open ended questions from the in-depth interview are used to validate the results of the open and close ended questions from the questionnaire survey. Emergent themes and interesting quotes from the qualitative findings will be used to validate and embellish the quantitative survey findings. Triangulation of method was used to improve accuracy and validate the findings. The methods were conducted concurrently. The mixing of quantitative and qualitative styles of research and data has complementary strengths (Neuman, 2006).

## **5.7 Problems and limitations of study**

Personal information such as income is difficult to capture due to the private and confidential data. Even though the range of income is easier to obtain from respondents, this questionnaire survey acquired the exact gross monthly income of YWH. This problem was overcome by inserting income blanks in two parts of the questionnaire survey. For example, in part B of the questionnaire survey, the respondents had to answer what is their gross annual salary and in part E where the respondents were asked again but the question is slightly different which is their gross monthly income.

The gross income does not take into account current transfer payment including income taxes. The distributive effects of public expenditure were also not reflected in the questionnaire survey data due to inherent difficulties to impute such benefits as part of household income. Otherwise, the use of net income after deduction of income taxes will decrease the total income resulting in a lowering of income inequalities. The amendments on the questionnaire survey were identified after the pilot study.

Apart from that, there were also problems on arranging appointments with state representatives. This is due to their busy working schedule. Thus, the researcher had to go to their offices to fix an appointment. Fortunately, all of the state representatives in this study are very cooperative. The respondents however wished to be anonymous in this study and only a few allowed for the interview to be recorded. This is compensated with notes taken from the interview and also relevant documents that the state representatives provided during the interview.

## **5.8 Summary**

It is important to emphasise on the meaning of methodology in this study. Due to the wider scope of housing affordability problems, this study focused on the case study of YWH in GKL. The perspective of housing affordability problems among YWH in this study is seen as the impact of the change in the sphere of economy that contributes to household income and house price. This chapter concluded that linking data and information gathered from the questionnaire survey and interviews allow this study to explore and explain what the housing affordability problems among YWH are. The root issue of the housing affordability problems is identified through case study approach. This case study approach is used to examine the housing affordability problems among YWH with the rationale of limited state intervention to assist YWH in closing the gap of affordable housing in the housing market.

Furthermore through statistical test and answers from interviews, the design of this study lead to arguments on the basis of the problem that the state overlook and extend recommendations to address this problems from the perspective of YWH and state. The following chapters discussed the findings in seeking an understanding of the role of state in addressing this problem and examined the housing affordability problems among YWH.

## **CHAPTER 6**

### **CHANGING NEEDS: KEY PROBLEMS IN HOUSING AFFORDABILITY AMONG YOUNGER WORKING HOUSEHOLDS**

#### **6.1 Introduction**

The aim of this chapter is to determine housing affordability problems among YWH in GKL. This chapter presents the findings from questionnaire survey and in-depth interview conducted with YWH. The data collected includes background profile (age; marital status; gender; ethnic and education level), occupation background, gross income and perceptions on housing affordability problems. The findings in this chapter is analysed quantitatively and qualitatively. The questionnaire survey seeks to examine the housing affordability problems among YWH. Furthermore, the analysis matched the gross monthly income with the supply of existing affordable housing in the market. This is significant to obtain empirical evidence of the affordable housing gap in the housing market.

The in-depth interview provides a deeper understanding of housing affordability problems among YWH in GKL. The purpose of the in-depth interview is to significantly enhance the interpretation of the data. The chapter begins with an overview and state's response in housing affordability problems among YWH followed by the socio-demographic profile of the case study which is YWH and identifying the problems of house price, household income and housing choice in the market. Consequently, the perceptions on housing affordability problems and lessons from these problems are discussed in the context of housing policy and schemes.



## **6.2 The study context**

Previous chapters have discussed the literature of housing affordability problems among YWH, specifically in house price, household income and housing choice. The range of housing affordability problems are supported by literature and official government documents of house price, household income and housing choice based on housing supply in the Malaysian context (see Chapter 4). The key problems of the housing affordability problem are three separate problems but interrelated (Burke, 2007). The selection of respondents is concerned primarily with the age group and employment background. The guiding criteria for the selection of the respondents were, aged between 20 to 39 years old, working full time, have a minimum qualification of a bachelor degree and work in Greater KL. Wilcox (2007) ascertained that this range of age is the majority of first-time house buyers.

The population of interest in this study are YWH and 420 samples are selected at random in Greater KL. One key criterion was set of this purpose, i.e., the household selected must be willing to spend at least 30 minutes to be interviewed based on the structured questionnaires. This chapter also demonstrate the qualitative analysis of the in-depth interview with 8 samples selected through purposive sampling. The key criterion is the respondent is not a homeowner and has answered the questionnaire survey as well. The housing affordability problems determined are in line with the evidence presented in previous chapters (see Chapter 3 and Chapter 4). The qualitative analysis of the findings provides insight on the housing affordability problems among YWH. The selection of respondents for the in-depth interview in this chapter is considered appropriate and un-bias. Similar to the questionnaire survey, the selected respondents must be willing to spend at least 30 minutes to be interviewed based on the structured interview questions. The following section discusses the overview of housing affordability problems among YWH and the state's response.

### **6.3 Overview of the state's response in addressing the housing affordability problems among YWH in Malaysia**

In general, the derivatives of the housing affordability problems among YWH are in the perspective of intervention by the state can be divided into three categories, which are, housing production in terms of housing supply, housing exchange in terms of buying or renting a house and housing consumption in terms of household purchasing capability (Milligan, 2003). The intervention by the state in these categories will ensure housing affordability problems are kept at a minimum level. This study emphasise of the gap of affordable housing for YWH in the market where they have to compete with all income groups. This led to YWH losing out on affordable housing in the market because of the one primary and significant factor which is household income of YWH is smaller in range as compared to older cohort members of the middle income household. Even though house prices are increasing at a slow rate especially in GKL, state intervention is crucial. While the private market is favourable for a thriving economy, the main aim of the housing policy is that every household should own adequate housing. The state has responded through housing policy and scheme in order to address this housing affordability problem. However, these interventions by the state are not holistic in the three main aspects of housing production, housing exchange and housing consumption and are not in line to address the housing affordability problems among YWH.

The missing aspect of the state intervention draws a gap in housing affordability problem in terms of affordable housing for YWH. Conversely, the state has intervened through NHP, PR1MA and MFHS that targets to assist YWH to become homeowners. The NHP holds the state responsible to assist the housing welfare of the low income households. Though, in the NHP that was introduced in 2011, there is a statement on encouraging private developers to develop more affordable housing for not only the low income household but also the middle income household. However, the intervention of

the state in this sense is only in terms of promises from the state with no known incentives for private developers to build affordable housing.

Furthermore, the subsidised housing scheme, PR1MA was introduced by the Prime Minister Office to fill in the missing aspects of state intervention in providing affordable housing. The focus of PR1MA is to supply affordable housing for the middle income households that are eligible to apply for the housing scheme. The applicants for the housing scheme has to earn RM 2,500 to RM 7,500 of individual household income or combine household incomes and the house has to be owner occupied for a minimum of 10 years. This exudes housing production, housing exchange and housing consumption in state intervention.

Moreover, the MFHS focus is on assisting young households' age below 35 years old in purchasing their first house. MFHS aims to help YWH in terms of housing loan for house price between RM 100,000 to RM 400,000. Similar to PR1MA, MFHS also has criteria for applicants to apply and require the applicants to reside in the house purchased through MFHS. In this aspect, the state intervened in terms of housing exchange and housing consumption but not in housing production. Above all, the housing affordability problems among YWH are subjected towards the effectiveness of the housing policy and schemes. The next section elaborated and discuss on the socio-demographic profile of the case study.

#### **6.4 The socio-demographic profile of the case study: Younger Working**

##### **Households**

A total of four hundred and twenty (N=420) respondents were involved in this questionnaire survey. All of the respondents were identified based on their age group which is between 20 and 39 years old and based on the location of their work place in GKL and were segregated based on population of younger working household in the

each local authority in Greater KL. The respondents were identified through private companies and government offices in Greater KL. From the questionnaire survey, 64.5% of the respondents are not homeowners while the remaining 35.5% of the respondents are homeowners (see Figure 6.1). For the purpose of this study, respondents who are homeowners are eliminated from the data analysis.

The age catchment is in four groups which are 20 to 24 years old, 25 to 29 years old, 30 to 34 years old and 35 to 39 years old. The age profiles of YWH who are non-homeowners are from 20 years old to 39 years old. However, by segregation of age group in YWH, the majority (52.8%) are from 25 to 29 years old and this is followed by those in the 20 to 24 years old (25.1%). The least (3.3%) is YWH from age group 35 to 39 years old and 18.8 percent YWH from age group 30 to 34 years old. This is in line with the distribution of population in Malaysia. By means of marital status, 75.6% of the respondents are single while 23.6% are married and the balance is divorced. The marital status by age groups is shown in Figure 6.2. Most of the respondents aged between 20 till 29 years old are single and most of the respondents aged between 30 till 39 years old are married. 68.3% of the respondents work in the private sector, 23.6% of respondents work in public sector, 5.9% are self-employed and 2.2% work in other sectors

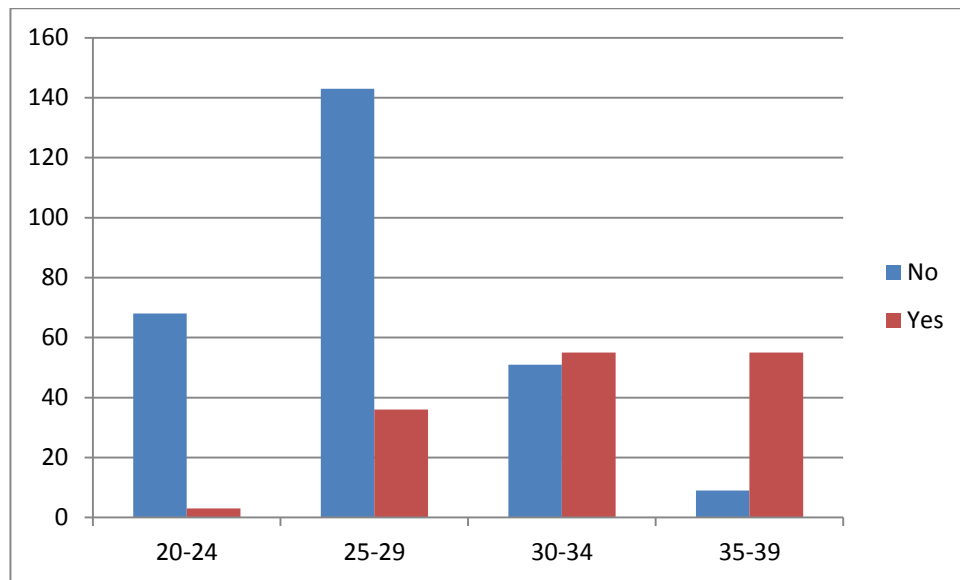


Figure 6.1 Homeownership status and age of respondents  
Source: Questionnaire survey (2012)

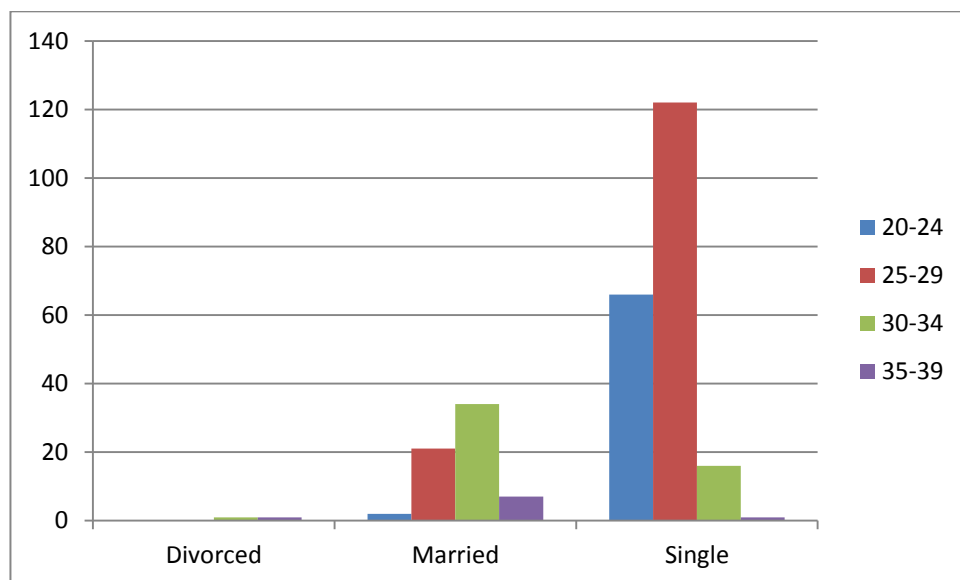


Figure 6.2 Marital status by age groups  
Source: Questionnaire Survey (2012)

## **6.5 The current residence of YWH: Living with family or renting?**

In line with the framework of this study, it is significant to seek where the respondents are currently living. The findings are cross-tabulated between location of residence and location of work place and it shows that current residences of the majority of the respondents are the same as their location of work place. This applies to all localities in GKL except for Sepang. The exception of Sepang is because most of the respondents who work in Sepang are currently living in Kuala Lumpur and Putrajaya.

Moreover, the findings demonstrated that the respondents are either currently renting, living with parental homes or others such as government quarters (see Figure 6.3). The correlation between homeownership status and current residence of respondents led to majority (55%) of the respondents are still living in their parental homes. Apart from that, 42 percent are currently renting and only 3% are living in other mode of residence. This determined that YWH choose to live in parental homes before they can afford a house (Andrew *et al.*, 2006).

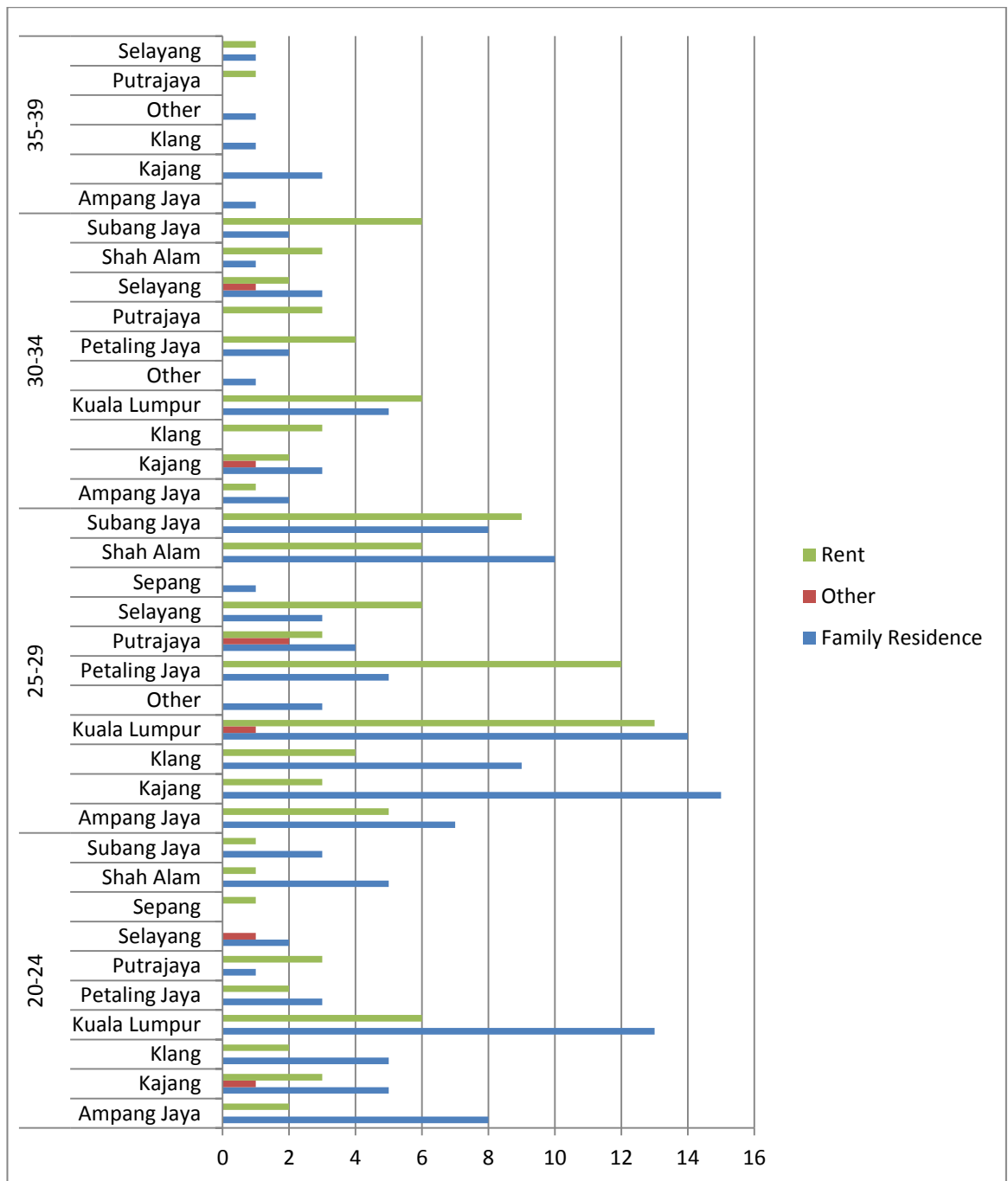


Figure 6.3 Current residence of YWH  
Source: Questionnaire survey (2012)

Most respondents aged 20 to 24 years old in this study live with their family (66%), followed by renting their place of residence (31%) and others (mostly in government quarters) (3%). Out of 10 locations in GKL, majority of the respondents are currently living with their family except in Putrajaya and Sepang. In Putrajaya and Sepang, majority of the respondents aged 20 to 24 years old are currently renting. Similarly, most of the respondents aged 25 to 29 years old live with their family (55%) followed by currently renting (43%) and others (2%). Moreover, majority of the respondents are currently living with their family in GKL except in Petaling Jaya, Selayang and Subang Jaya.

Majority of the respondents aged 25 to 29 years old are currently renting in the locality of Petaling Jaya, Selayang and Subang Jaya. For respondents aged between 30 to 34 years old, majority of the respondents are currently renting (59%) followed by living with family (37%) and others (4%). The localities in GKL that these respondents are currently renting are Klang, Kuala Lumpur, Petaling Jaya, Putrajaya, Shah Alam and Subang Jaya. In other localities, most of the respondents are currently living in their family residence. Apart from that, most the respondents aged 35 to 39 years old in this study are already homeowners. However, there are a small number of respondents aged 35 to 39 years old who either living with their family or renting. Those respondents aged 35 to 39 years old who are currently renting in Putrajaya and Selayang.

Furthermore, the rentals paid by the respondents who are currently renting are also analysed. By age group, respondents aged 20 to 24 years old paid rental between RM160 to RM1200 (see Table 6.1). The type of house that most of the respondents aged 20 to 24 years old rent are flat/apartment and condominium/serviced residence. The majority of the respondents aged 20 to 24 years old who are currently renting earns between RM 2,001 to RM 3,000. For respondents aged 25 to 29 years old, the rental paid is between RM150 to RM1000 (see Table 6.2). Similarly to respondents 20 to 24



years old, most of the respondents aged 25 to 29 years old are currently renting flat/apartment and condominiums/serviced residence.

Additionally, the respondents aged 30 to 34 years old paid rental between RM175 to RM1000 (see Table 6.3) while respondents aged 35 to 39 years old paid rental between RM400 to RM600 (see Table 6.4). The type of house that the respondents aged 30 to 34 years old currently rents are flat/apartment, condominium/serviced residence, double storey terrace house and single storey terrace house. The type of house that the respondents aged 35 to 39 years old currently rents semi-detached houses. It should be noted that the majority of the respondents are currently renting lives with their friends are sharing the cost of rental. For example, in Kuala Lumpur, one of the respondents aged 25 to 29 years old paid RM350 a month because the respondent is currently renting one room in a 3 bedroom flat/apartment while there are also other tenants in the house. The total rental of the house is RM 1,000. This shows that even though the rental paid are considered small in amount it is due to overcrowded of tenants in one house. This is attributed to problems such as house price, household income and housing choice which is discussed in the next section.

Table 6.1 Table of maximum rental by location, type of house, gross monthly income  
(aged 20 to 24 years old)

<b>Age 20-24</b> <b>Location/Type of house/Gross monthly income</b>	<b>Max of Rental RM</b>
<b>Ampang Jaya</b> Condominium/Service Residence RM 2,001-3,000	350
Flat/Apartment Below RM 2,000	200
RM 2,001-3,000	300
<b>Kajang</b> Single Storey Terrace House RM 2,001-3,000	200
<b>Klang</b> Double Storey Terrace House RM 2,001-3,000	160
<b>Kuala Lumpur</b> Condominium/Service Residence RM 2,001-3,000	1200
Double Storey Terrace House RM 3,001-4,000	450
Flat/Apartment RM 2,001-3,000	450
<b>Petaling Jaya</b> Flat/Apartment Below RM 2,000	250
RM 2,001-3,000	400
<b>Selangor</b> Flat/Apartment Below RM 2,000	300
RM 2,001-3,000	300
<b>Subang Jaya</b> Condominium/Service Residence RM 3,001-4,000	250

Source: Questionnaire survey (2012)

Table 6.2 Table of maximum rental by location, type of house, gross monthly income  
(aged 25 to 29 years old)

<b>Age 25-29</b> <b>Location/Type of house/Gross monthly income</b>	<b>Max of Rental RM</b>
<b>Ampang Jaya</b>	
Condominium/Serviced Residence RM 2,001-3,000	1000
Flat/Apartment Below RM 2,000	250
RM 3,001-4,000	250
Single Storey Terrace House RM 2,001-3,000	150
RM 3,001-4,000	370
<b>Kajang</b>	
Single Storey Terrace House RM 3,001-4,000	150
<b>Klang</b>	
Flat/Apartment RM 2,001-3,000	700
RM 3,001-4,000	400
Single Storey Terrace House RM 2,001-3,000	200
<b>Kuala Lumpur</b>	
Condominium/Serviced Residence RM 4,001-5,000	600
Double Storey Terrace House Below RM 2,000	500
RM 2,001-3,000	200
Flat/Apartment RM 2,001-3,000	350
RM 3,001-4,000	750
RM 5,001-6,000	800
<b>Petaling Jaya</b>	
Condominium/Serviced Residence RM 3,001-4,000	500
Double Storey Terrace House RM 8,001-9,000	700
Flat/Apartment RM 2,001-3,000	450
RM 3,001-4,000	450
<b>Putrajaya</b>	
Double Storey Terrace House RM 4,001-5,000	600
Flat/Apartment RM 2,001-3,000	400
RM 3,001-4,000	330
<b>Selayang</b>	
Flat/Apartment RM 2,001-3,000	450
RM 3,001-4,000	850
RM 4,001-5,000	600
Single Storey Terrace House RM 2,001-3,000	180

Table 6.2, continued

<b>Shah Alam</b>	
Condominium/Serviced Residence	
RM 2,001-3,000	500
RM 3,001-4,000	400
Flat/Apartment	
Below RM 2,000	200
RM 2,001-3,000	105
Single Storey Terrace House	
RM 2,001-3,000	150
<b>Subang Jaya</b>	
Condominium/Serviced Residence	
RM 3,001-4,000	600
Double Storey Terrace House	
RM 3,001-4,000	600
RM 5,001-6,000	550
Flat/Apartment	
RM 3,001-4,000	350
RM 4,001-5,000	450
Single Storey Terrace House	
RM 2,001-3,000	980

Source: Questionnaire survey (2012)

Table 6.3 Table of maximum rental by location, type of house, gross monthly income (aged 30 to 34 years old)

<b>Age 30-34</b>	<b>Max of Rental RM</b>
<b>Location/Type of house/Gross monthly income</b>	
<b>Ampang Jaya</b>	
Condominium/Serviced Residence	
RM 3,001-4,000	500
RM 4,001-5,000	600
Flat/Apartment	
RM 2,001-3,000	450
Single Storey Terrace House	
RM 2,001-3,000	900
<b>Klang</b>	
Condominium/Serviced Residence	
RM 2,001-3,000	400
Double Storey Terrace House	
RM 5,001-6,000	1000
Flat/Apartment	
RM 3,001-4,000	1000
Town House	
RM 3,001-4,000	500
<b>Kuala Lumpur</b>	
Flat/Apartment	
Below RM 2,000	650
RM 2,001-3,000	450
RM 4,001-5,000	175

Table 6.3, continued

<b>Petaling Jaya</b> Flat/Apartment RM 4,001-5,000	1100
<b>Putrajaya</b> Double Storey Terrace House Below RM 2,000 RM 3,001-4,000 RM 5,001-6,000	600 450 400
<b>Selayang</b> Flat/Apartment RM 2,001-3,000	750
<b>Shah Alam</b> Double Storey Terrace House RM 5,001-6,000	500
<b>Subang Jaya</b> Double Storey Terrace House RM 5,001-6,000 Flat/Apartment Below RM 2,000 RM 3,001-4,000 Single Storey Terrace House RM 2,001-3,000	600 400 450 980

Source: Questionnaire survey (2012)

Table 6.4 Table of maximum rental by location, type of house, gross monthly income (aged 35 to 39 years old)

<b>Age 35-39</b> <b>Location/Type of house/Gross monthly income</b>	<b>Max of Rental RM</b>
<b>Putrajaya</b> Semi-detached RM 5,001-6,000	600
<b>Selayang</b> Semi-detached RM 3,001-4,000	400

Source: Questionnaire survey (2012)

## **6.6 Identifying the housing affordability problems among YWH: House price, Household income, Housing choice**

This section seeks to answer the first research question which is what the housing affordability problems among YWH are. Having established the housing affordability problems among YWH in Chapter 3, it was identified that the problems are due to three main attributes. The three attributes are house price, household income and housing choice. Before the analysis is discussed, a normality test was conducted on data distribution. The normality test used in this study is Skewness and Kurtosis where the value of Skewness and Kurtosis has to be between  $\pm 2.0$ . Moreover, the data normality is identified through a histogram graph (see Figure 6.4). From the normality test, the distribution of data is normal because the Skewness and Kurtosis value is 0.457 and -0.021 which are between  $\pm 2.0$  (see Table 6.5).

Furthermore, the Cronbach's alpha reliability coefficients of the independent and dependent variables were obtained for the Likert scale questions on the perceptions of housing affordability problems among YWH. The result indicates that the Cronbach's alpha measure is between .507 and .843 (see Table 6.6). The reliabilities in the .80 and .70 are acceptable thus the internal consistency reliability of the measures used in this study can be accepted (Sekaran, 2003). However, due to a low value of alpha which is .507, correlation of each test item was conducted. The low value of alpha could be due to low number of questions, poor interrelatedness between items or heterogeneous constructs (Tavakol and Dennick, 2011). The correlation coefficient between items in category of housing choice is from .546 and .767. The correlation coefficients between the items are moderate to strong. Therefore, it is concluded that the low value of alpha is due to low number of questions and because the correlation is moderate to strong the reliability is acceptable. To further discuss on the housing affordability problems among YWH, the distribution of income and financial commitments of YWH is analysed.

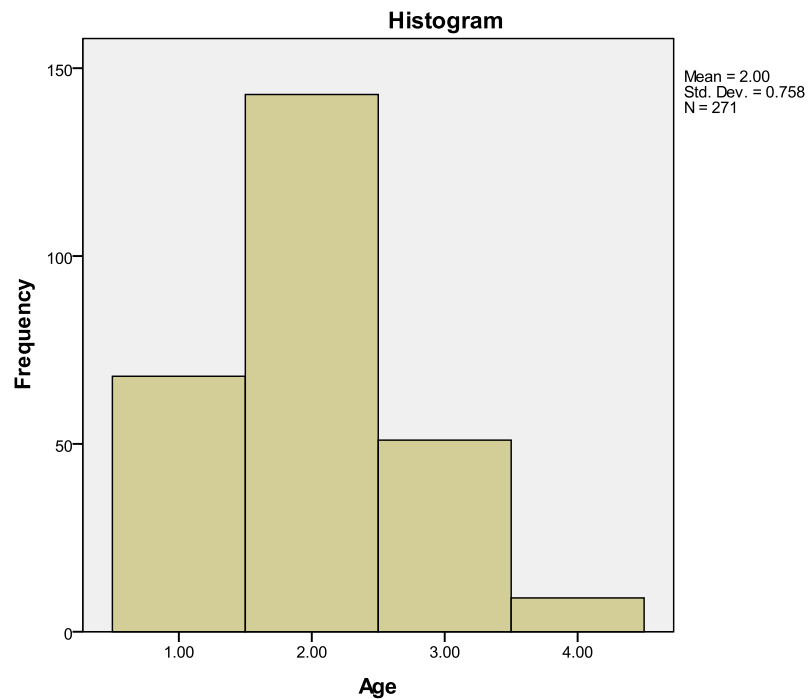


Figure 6.4 Histogram graph of data normality in this study  
Source: Questionnaire survey (2012)

Table 6.5 Table of Skewness and Kurtosis

Descriptive			Statistic	Std. Error
Age	Mean		2.0037	.04603
	95% Confidence Interval for Mean	Lower Bound	1.9131	
		Upper Bound	2.0943	
	5% Trimmed Mean		1.9672	
	Median		2.0000	
	Variance		.574	
	Std. Deviation		.75767	
	Minimum		1.00	
	Maximum		4.00	
	Range		3.00	
	Interquartile Range		1.00	
	<b>Skewness</b>		<b>.457</b>	.148
	<b>Kurtosis</b>		<b>-.021</b>	.295

Source: Questionnaire survey (2012)

Table 6.6 Result of Cronbach's Alpha

Categories	Cronbach's Alpha
Affordability to purchase a house	.739
House price in the housing market	.843
Household income of YWH	.750
Housing choice in the housing market	.507
Housing policy and schemes to assist YWH	.825

Source: Questionnaire survey (2012)

### 6.6.1 Distribution of monthly household income

Household income plays a significant role in determining housing affordability (Stone, 2006; Bramley, 2012; Henman and Jones, 2013). From the findings, majority (45.8%) of the respondents earn between RM 2,001 to RM 3,000 in monthly gross income. There is a considerable percentage (33.2%) of respondents who earn between RM 3,001 to RM 4,000 monthly. Therefore, it is determined that the range of gross monthly income of YWH is between RM 2,001 to RM 4,000. The monthly gross income range of the respondents is similar as determined by Wan *et al.* (2011) that indicated YWH are indeed a member of the middle income household. However, NHP defined middle income household as those who earn between RM 2,500 to RM 3,999 monthly.

Apart from that, for PR1MA, the income eligibility is for those who earn between RM 2,500 to RM 7,500. This indicated that for household who earns more than RM 7,500, they are no longer considered as high income group and does not have financial difficulties to purchase a house. Moreover for MFHS, only YWH who earns less RM 3,000 to RM 5,000 or joint loan of husband and wife of up to RM 10,000 per month are considered to be the target group that need housing assistance. This demonstrates that YWH age between 20 to 39 years old is eligible for this scheme (see Figure 6.5).



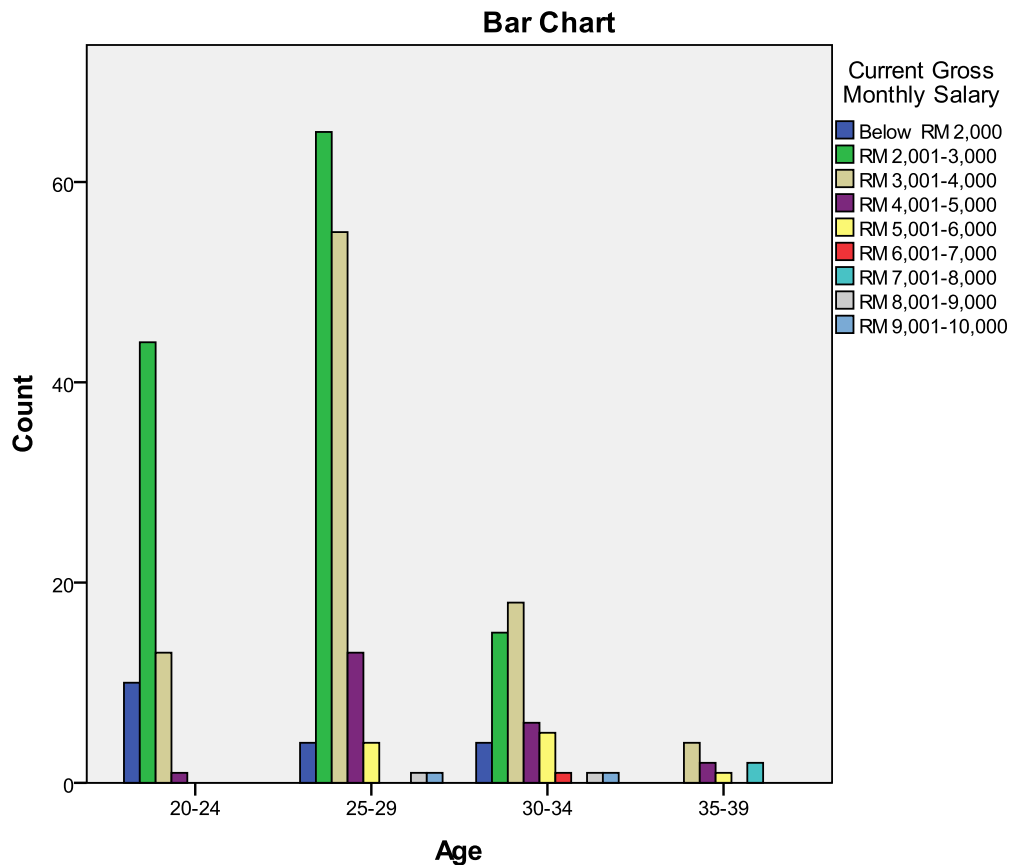


Figure 6.5 Cross tabulation of age and current gross monthly income  
Source: Questionnaire survey (2012)

In detail, the income distributions among YWH in accordance to age subgroups are explored. From the analysis, the income pattern shows that YWH income increases with age (see Figure 6.6). The significance of this analysis is to identify the income distribution of YWH and to determine whether YWH are at the lower income distribution as argued by Matlack and Vigdor (2008). The analysis established that YWH are at the lower end of the income distribution. However, this only involves YWH between aged 20 to 29 years old.

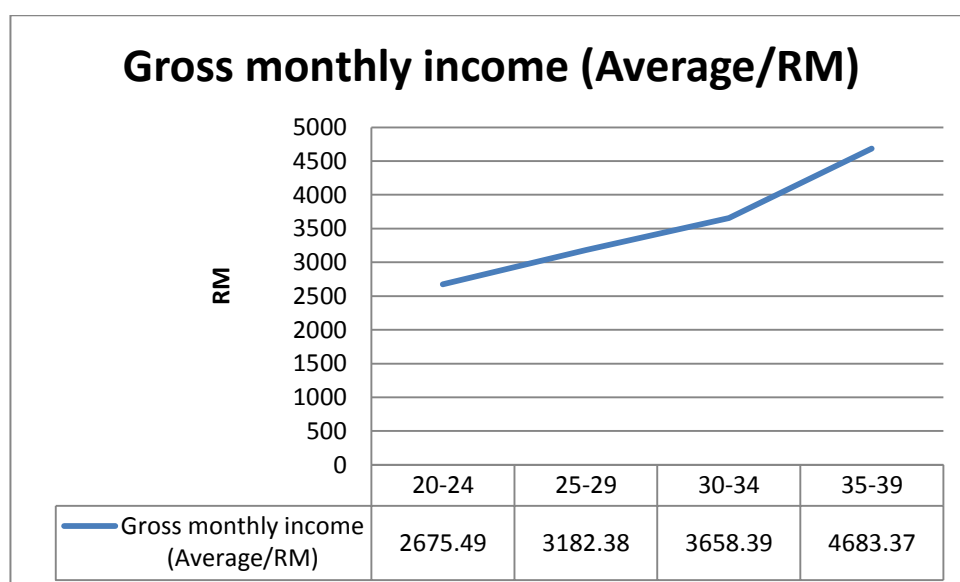


Figure 6.6      Average gross monthly income among YWH  
Source:              Questionnaire survey (2012)

Even more, based on the study by Wan *et al.* (2011) (see Table 6.7), the empirical evidence shows that the respondents aged 20 to 24 years old are in the lower-middle income group, whereas, the respondents aged 25 to 29 years old and aged 30 to 34 years old are in the middle-middle income group and the respondents aged 35 to 39 years old are in the upper-middle income group. This supports the claimed of the analysis of the findings that the growing trend of income distribution among YWH increases with age. However, this claim excludes other factors such as amount of working experience, job sectors and social order. The relationship of income and expenses are profound in housing affordability problems. The next section will discuss on financial commitments of YWH.

Table 6.7      Income category in middle income household

Income Category		
Lower-Middle RM 1501-2000	Middle-Middle RM 2001-4000	Upper-Middle RM 4001-6000

Source:              Wan *et al.* (2011)

### **6.6.2 House price and housing choice in the housing market for YWH**

This section will established the household income and financial commitments of YWH, the affordable house price and housing choice in the housing market are determined based on the household income and financial commitments. Due to the purpose of this study, the housing affordability among YWH is not measured. However, the housing affordability in this study adapts the general 30% guideline (Hulchanski, 1995; Landt and Bray 1997; Stone, 2006; Baker and Beer, 2007; Garner, 2008) from monthly income to describe the affordable house price and housing choice in the housing market for YWH. The result of 30% for housing based on average gross monthly income in this study is referred in Table 6.8. The monthly mortgage payment is matched with current house price in GKL collected from property market reports by NAPIC for Q3 year 2012.

All data of house prices are of Q3 year 2012 except from Putrajaya which is taken from Q2 year 2013 due to unavailability of information in Q3 year 2012. From the information of house prices and types of houses in GKL, the monthly mortgage payment can be determined by imposing a general situation of securing housing loan. According to Wong (2012), bank offer rates of BLR -2 percent (-2%) to -3 percent (-3%) and the average mortgage rates are now below 5 percent (5%). As implemented by BNM, the BLR is 6.6 percent (6.6%) and the median rate from bank is -2.5 percent (-2.5%). Therefore, the interest rate used in this study is 4.1 percent (4.1%). As for loan period, the average maximum loan period is adopted which is 30 years.

Table 6.8 Average gross monthly income and 30% of income for housing

<b>Age</b>	<b>Gross income (Average/monthly)</b>	<b>30% for housing</b>
20-24	RM 2675.49	RM 802.65
25-29	RM 3182.38	RM 954.72
30-34	RM 3658.39	RM 1097.52
35-39	RM 4683.37	RM 1405.01

Source: Questionnaire survey (2012)

The findings demonstrated that YWH who are between 20 to 24 years old (see Appendix E) can afford cluster houses, low cost flat and flat in Kuala Lumpur (KL). As for houses in Selangor, they could only afford low cost house, low cost flat and flats while in Putrajaya their only house choice is low cost flat. As for respondents who are in age group between 25 to 29 years old, they can only afford cluster houses, low cost houses, low cost flat and flats in KL. Additionally in Selangor, these respondents can afford the same type of houses in KL and a single storey terrace house. However in Putrajaya, these respondents can only afford low cost flat. Similarly, respondents in age group between 30 to 34 years old and age group 35 to 39 years old can also afford the same types of houses as those respondents who are in age group between 25 to 29 years old with addition of condominium and apartment in Selangor.

In previous discussion (see Chapter 4), the highest number of houses in the market is 2 to 3 storey terrace house. However, condominium and apartment are the highest number of incoming housing supply and new planned housing supply (NAPIC, 2012). Due to the socioeconomic status of YWH, low cost houses and flat are considered not their housing choice (see Fu *et al.*, 2000; Tu *et al.*, 2005; Kiel and Zabel, 2008). Even more, they are not eligible for low cost houses. Therefore, the only house that they can afford are single storey terrace house, condominium/apartment and cluster house (see table 6.9). Conversely, with housing supply concentrated on stratified houses such as

condominium, apartment and SOHO (Small Office Home Office), only YWH between ages of 30 to 39 years old can afford to purchase a house. This ascertained Matlack and Vigdor (2008) arguments that income increases at the high end of the distribution and can raise house prices paid by those at the low end of the income distribution. Due to this, YWH age between 20 to 29 years old has a more critical housing affordability problem as oppose to YWH age between 30 to 39 years old.

Table 6.9 Summary of affordable houses based on income

<b>Age group</b>	<b>Affordable house based on income</b>	<b>Affordable house price based on income (maximum)</b>
20 to 24 years old	Cluster house	RM 120,470
25 to 29 years old	Single storey terrace house, Cluster house	RM 206,250
30 to 34 years old	Single storey terrace house, Condominium/apartment, Cluster house	RM 237,612
35 to 39 years old	Single storey terrace house, Condominium/apartment, Cluster house	RM 237,612

Source: Questionnaire Survey (2012), NAPIC (2012)

In sum, housing affordability among YWH is attributed to house price, household income and housing choice in the housing market. It is emphasise that housing choice refers to the affordable housing in the housing market. This study argues that the affordable housing price is between RM 120,470 and RM 237,612. The argument is based on data from the property market report by NAPIC (2012). Thus, this indication shows that these are the housing need among YWH. The key findings of this study suggest that (see Table 6.10) there is indeed a gap in affordable housing for YWH in the housing market. The findings described that the supply of the identified affordable housing for YWH is limited and further decrease the opportunity of YWH to purchase a house. Furthermore, the justification of why majority YWH are able to live and work in the same local authority is due to they have not left their parental homes in Greater KL.

Undoubtedly, this indicates the severe problem of housing affordability to ‘leave the nest’ (Stutz and Kartman, 1982). Though, the findings have indicated the gap of affordable housing for YWH, the next section discussed and analysed the perceptions of YWH on housing affordability problems through Likert scale in questionnaire survey and also from the in-depth interview.

Table 6.10 Housing supply in GKL as of Q3 year 2012

	Type of House	Existing Stock	Incoming supply	New planned supply
<b>KL</b>	Cluster	4,248	0	0
	Flat	50,156	374	0
<b>Selangor</b>	Single Storey Terrace	117,717	5685	160
	Cluster	5508	1547	0
	Flat	137600	6356	760
	Condominium/Apartment	194330	28864	350

Source: Adapted from NAPIC (2012)

## 6.7 Perceptions on housing affordability problems

In this section, the perceptions of YWH on housing affordability problems is analysed and discussed. The Likert scale data of the perceptions is mostly presented in box plot graphs that will show the median of the data. From the median, the perceptions based on the Likert scale data is established based on age group, marital status, occupation, , current gross monthly income and current residence of YWH. The aim of this analysis is to determine the housing affordability problems as perceived by YWH and to examine the relationship of the housing affordability problems. Generally, all respondents agree that there are housing affordability problems. The perceptions of housing affordability problems are considered as problems in terms of house price, household income and housing choice. Furthermore, perceptions on housing policy and schemes are also analysed and deliberated.

### **6.7.1 Housing affordability problems: house price, household income and housing choice**

The aim of this analysis is to examine the perceptions of respondents on the extent to which housing affordability is a problem among YWH. This is achieved by asking the respondents' perceptions on whether houses are not affordable if it excessively displaced other expenditures, if inadequate cash flow is an issue, if there is an inadequate supply of affordable houses close to their work place, if less working experience poses a problem and if housing preferences influence housing affordability. The significance of this analysis described the housing affordability problems among YWH in GKL.

From the analysis, age groups and the perceptions on housing affordability shows that the median of respondents aged 20 till 34 years old are in similar value while respondents who are aged between 35 till 39 years old has a smaller median value. This indicate that they perceived housing affordability a problem a lesser degree as compared to respondents aged between 20 till 34 years old. However, based on the Mann-Whitney U test, there are no significant differences in perceptions between all age groups ( $p > .05$ ). Furthermore, there are no significant differences in perceptions between marital status, occupation and gross monthly income.

Conversely, there is a significant difference in perceptions between current residence (renting and lives with family). The data analysis results of the Mann-Whitney U test (see Table 6.11) reveal that there is a difference in perceptions on housing affordability that is significant between respondents who are renting and lives with family [ $p < .05$ ]. The mean value of respondents who are renting (143.33) transcend respondents who lives with family (124.14) that shows respondents who are renting in the population of

this study experienced more problems in housing affordability. The respondents who are currently renting experienced more problems in housing affordability.

Table 6.11 Mann-Whitney U Test between housing affordability and current residence

Test Statistics<sup>a</sup>

	Housing Affordability (Rent and family residence)
Mann-Whitney U	7322.000
Wilcoxon W	18497.000
Z	-2.032
Asymp. Sig. (2-tailed)	.042

a. Grouping Variable: Current Residence

Source: Questionnaire Survey (2012)

The findings indicated that housing affordability is a problem for YWH to purchase their first house in the housing market. YWH perceived a number of attributes has resulted to this housing affordability problem. The attributes include inadequate cash flow, insufficient affordable housing supply and housing preferences ensued to their capability to afford their first house. This is in line with Thalmann (2003) who perceived houses as affordable if the income spent on housing crowds out other non-housing expenditures. Furthermore, even if there are houses that are affordable to YWH within their work place, the supply of houses are limited (Wan *et. al*, 2010). The analysis also shows that the problems with affordability are not only focused on household income and housing supply but on housing choice as well (Bajari *et al.*, 2005).



Based on the analysis, YWH perceived house price as one of the contributor to the housing affordability problems. There are no significant difference in perceptions of house price as a housing affordability problem among YWH in terms of age group, marital status, occupation and current residence (renting, lives with family or others). The findings demonstrated that the respondents agreed with the current house prices are expensive for them to purchase with their current household income. The respondents agreed with 57.2 percent with 'strongly agree', 29.9 percent with 'agree', 8.9 percent are undecided or neutral, 3.3 percent 'disagreed' and 0.7 percent 'strongly disagreed'. Apart from that, 76 percent of the respondents agreed that overvaluation of houses has contributed to house prices to be a problem among YWH. To strongly support this view, none of the respondents strongly disagreed to this and only 1.5 percent disagreed while the 22.5 percent are undecided or neutral.

In terms of volatility of house prices, the majority (74.2%) of the respondents agreed that because of the volatility of house prices, it slows down the transition for them to purchase a house. Subsequently, the respondents also agreed that house prices has surge up due to increase number of foreign investors (68.6%) and transaction costs such as stamp duty and property taxes contributed to increased house prices (72%). The analysis indicates that house price contributes to the housing affordability problems among YWH. Firstly, YWH perceived house price as expensive for them to purchase and this is in accordance to their household income as argued by Wilcox (2007). Secondly, as Ayuso and Restoy (2006) discussed, YWH are aware of overvaluation as a contribution towards this house price problem. Moreover, due to attract foreign investors private developers are focusing more on building high cost housing (Tan, 2011). Thus, this limits the housing purchasing power of YWH as well as creating a bigger affordable housing gap in the housing market.

In relation to the housing affordability problem of house price, household income also plays a role in purchasing a house. Due to this, household income is also considered as a housing affordability problem among YWH. The findings demonstrated that household income does influence housing affordability problems. Based on the data analysis result of Mann-Whitney U test, there are significant differences in perceptions of household income in terms of occupation between respondents who are self-employed and private sector and gross monthly salary between respondents who earn RM 2,001 to RM 3,000 and respondents who earn RM 8,001 to RM 9,000.

The data analysis results of the Mann-Whitney U test (see Table 6.12) reveal that there is a difference in perceptions on household income that is significant between respondents who earns RM 2,001 to RM 3,000 and respondents who earn RM 8,001 to RM 9,000 [ $p < .05$ ]. The mean value of respondents who earn RM 2,001 to RM 3,000 (64.37) transcend respondents who earn RM 8,001 to RM 9,000 (9.50) that shows respondents who earn RM 2,001 to RM 3,000 in the population of this study experienced more problems in housing affordability. The box plot graph explained that the median value of respondents who earn RM 2,001 to RM 3,000 is higher as compared to the median value of respondent who earn RM 8,001 to RM 9,000. The box plot graph as in Figure 6.7 is in line with the result of the Mann-Whitney U test that respondents who earn RM 2,001 to RM 3,000 experienced more problems in housing affordability.

Table 6.12 Mann-Whitney U Test between household income and gross monthly salary

Test Statistics<sup>a</sup>

	Household income (RM 2,001-RM 3,000 and RM 8,001-RM 9,000)
Mann-Whitney U	16.000
Wilcoxon W	19.000
Z	-2.119
Asymp. Sig. (2-tailed)	.034
Exact Sig. [2*(1-tailed Sig.)]	.021 <sup>a</sup>

a. Not corrected for ties

b. Grouping Variable: Gross Monthly Salary

Source: Questionnaire Survey (2012)

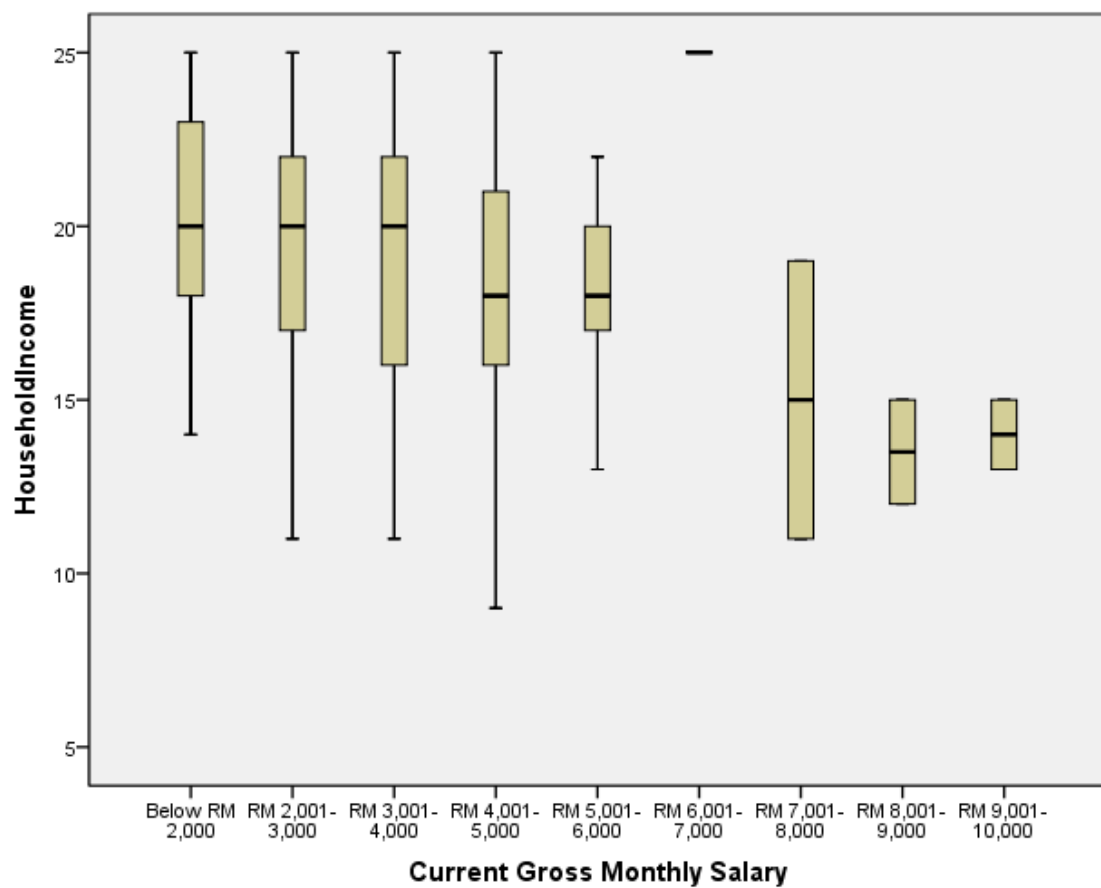


Figure 6.7 Box plot graph of perceptions on household income and gross monthly salary

Source: Questionnaire Survey (2012)

Apart from that, the data analysis results of the Mann-Whitney U test (see Table 6.13) show that there is a difference in perceptions on household income that is significant between respondents who are self-employed and respondents who are working in the private sector [ $p < .05$ ]. The mean value of respondents who works in the private sector (103.77) transcends respondents who are self-employed (68.97). This shows that respondents who work in the private sector in the population of this study experienced more problems in housing affordability. The box plot graph explained that the median value of respondents who work in the private sector is higher as compared to the median value of respondent who are self-employed. The box plot graph as in Figure 6.8 is in line with the result of the Mann-Whitney U test that respondents who works in the private sector experienced more problems in housing affordability.

Table 6.13 Mann-Whitney U Test between household income and occupation

Test Statistics<sup>a</sup>

	Household income (Self-employed and private sector)
Mann-Whitney U	967.500
Wilcoxon W	1103.500
Z	-2.306
Asymp. Sig. (2-tailed)	.021

a. Grouping Variable: Occupation

Source: Questionnaire Survey (2012)

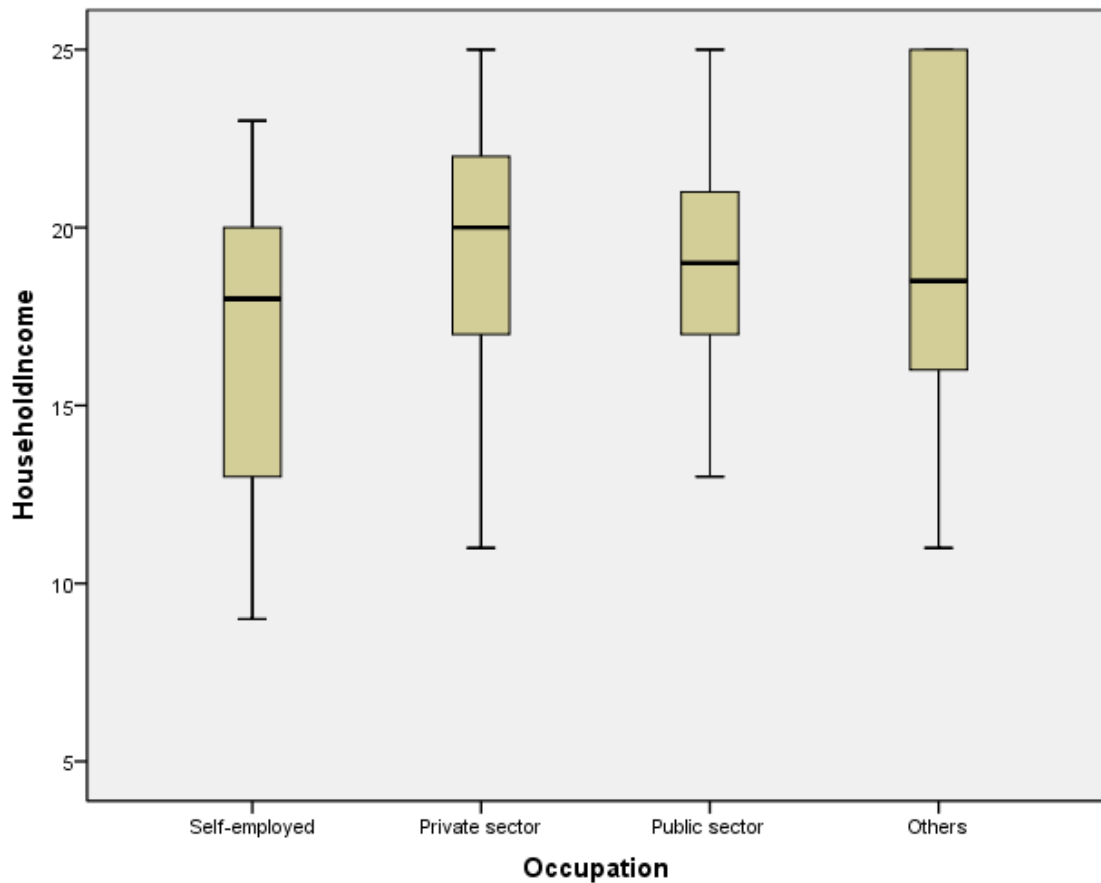


Figure 6.8 Box plot graph of perceptions on household income and occupation  
Source: Questionnaire Survey (2012)

Furthermore, majority (66.4%) of the respondents agreed with the recommendation of 30% of their income should be contributed to housing. Consequently, the majority also agreed with paying 25% of their income for rental. Among the respondents, 33.6 percent answered 'strongly agree', 31.7 percent answered 'agree', 6.6 percent 'disagreed' and 1.1 percent 'strongly disagreed' while 26.9 percent are undecided or neutral. From the suggested household income guideline, it is interesting to note that the respondents agreed that they have a problem with saving enough money to pay for initial cost of purchasing a house. The importance of saving is to pay for housing deposit as the first step to buy a house and it usually consumes a large sum. Wan *et. al* (2010) argued that the 10 percent deposit to purchase a house is a factor influencing housing affordability problems. In line with this, 39.1 percent strongly agreed and 37.3 percent agreed. While the remaining are undecided or neutral, disagree and strongly

disagreed with 16.2%, 5.9%, and 1.5% respectively. Apart from that, majority (60.5%) of the respondents also agreed that it is a problem for them to buy a house because of other income commitments and 58.3 percent agreed that there is problem to secure housing loan with their monthly income. Notably, 15.1 percent disagreed due to other income commitments there is a problem with income to purchase a house and 14.7 percent disagreed of failing to secure housing loan with their income.

The findings suggest that even though YWH agreed with consuming 30% of their household income for housing, there are other issues in household income that made it difficult for them to purchase a house. One of the issues is housing deposit as discussed by Wan *et al.* (2010) and Bajari *et al.* (2005). With the respondents' current household income, it is a challenge for them to save enough money for the 10% housing deposit. Furthermore, they have other income commitments that potentially displace their household income for housing. The findings also revealed that YWH agreed on an alternative to rent if the rental rate consumes less than 25% of their income as recommended by Baker and Beer (2007).

Furthermore, it was argued that there is limited housing choice in the housing market for YWH. This is considering their average current monthly income and average current house price in the market. Housing choice as a housing affordability problem is seen in three aspects which are the perception on the preference in terms of size and design and also choice of location. The majority (71.9%) of the respondents agreed that design of the house plays a role in deciding to purchase an affordable house. Only 5.5 percent disagreed with this. Moreover, 42.1 percent of the respondents disagreed with purchasing an affordable smaller size house in an urban area. While 29.2 percent are undecided or neutral and 28.8 percent agreed. As for the perception on the location of the affordable house, 32.1 percent 'agree' and 14.0 'strongly agree' to bear transportation cost if the location is far from their work place while 31.4 percent are

undecided and neutral. Accordingly, 16.6 percent ‘disagreed’ and 5.9 ‘strongly disagreed’. It is important to note that the percentage for the respondents who are undecided or neutral is similar to the percentage of ‘agreed’. This shows that YWH are between agreeing to not knowing which decision to make when it comes to if the location of a house they could afford is far from their workplace and involves a substantial amount of transportation cost.

Based on the data analysis result of Mann-Whitney U test, there are significant differences in perceptions of housing choice in terms of occupation between respondents who are self-employed and respondents who works in the private sector and gross monthly salary between respondents who earn RM 2,001 to RM 3,000 and respondents who earn RM 7,001 to RM 8,000 and between respondents who are renting and respondents who lives with family. The data analysis results of the Mann-Whitney U test (see Table 6.14) show that there is a difference in perceptions on household income that is significant between respondents who are self-employed and respondents who works in the private sector [ $p < .05$ ]. The mean value of respondents who works in the private sector (105.17) exceed respondents who are self-employed (52.75) that shows respondents who works in the private sector in the population of this study experienced more problems in housing affordability.

Table 6.14 Mann-Whitney U Test between housing choice and occupation

Test Statistics<sup>a</sup>

	Housing choice (Self-employed and private sector)
Mann-Whitney U	708.000
Wilcoxon W	844.000
Z	-3.490
Asymp. Sig. (2-tailed)	.000

a. Grouping Variable: Occupation

Source: Questionnaire Survey (2012)

Moreover, the data analysis results of the Mann-Whitney U test (see Table 6.15) reveal that there is a difference in perceptions on housing choice that is significant between respondents who earn RM 2,001 to RM 3,000 and respondents who earn RM 7,001 to RM 8,000 [ $p < .05$ ]. The mean value of respondents who earn RM 2,001 to RM 3,000 (64.33) exceed respondents who earn RM 7,001 to RM 8,000 (12.00) that shows respondents who earn RM 2,001 to RM 3,000 in the population of this study experienced more problems in housing affordability. The box plot graph explained that the median value of respondents who works in the private sector is higher as compared to the median value of respondent who are self-employed. The respondents who earn RM 2,001 to RM 3,000 experienced more problems in housing affordability.

Table 6.15 Mann-Whitney U Test between housing choice and gross monthly salary

Test Statistics<sup>a</sup>

	Housing choice (RM 2,001-RM 3,000 and RM 7,001-RM 8,000)
Mann-Whitney U	21.000
Wilcoxon W	24.000
Z	-2.033
Asymp. Sig. (2-tailed)	.042
Exact Sig. [2*(1-tailed Sig.)]	.034 <sup>a</sup>

a. Not corrected for ties

b. Grouping Variable: Gross Monthly Salary

Source: Questionnaire Survey (2012)

Apart from that, the data analysis results of the Mann-Whitney U test (see Table 6.16) reveal that there is a difference in perceptions on housing choice that is significant between respondents who are renting and respondents who lives with family [ $p < .05$ ]. The mean value of respondents who are renting (151.64) exceed respondents who lives



with family (117.72) that shows respondents who are renting in the population of this study experienced more problems in housing affordability.

Table 6.16 Mann-Whitney U Test between housing choice and current residence

Test Statistics<sup>a</sup>

	Housing choice (Self-employed and private sector)
Mann-Whitney U	6366.000
Wilcoxon W	17541.000
Z	-3.608
Asymp. Sig. (2-tailed)	.000

a. Grouping Variable: Current Residence

Source: Questionnaire Survey (2012)

There are two significant influence of housing choice as a housing affordability problem among YWH. Firstly, in terms of size and design of the house, YWH perceived that the market has not fulfilled their expectation of affordable housing in the market. Secondly, the location of affordable housing in the market plays a major role in housing affordability problems among YWH. This indicates that YWH could not afford a house in urban area that caused to burden themselves with transportation cost if they wish to become homeowners.

Furthermore, the data is further analysed using the Spearman correlation test. The test is used due to the ordinal scale of the data and is suitable to examine the correlation between the housing affordability problems (Chua, 2006). The analysis results of the Spearman correlation reveal that there is a moderate relationship that is significant between house price and household income in the housing affordability problems among YWH ( $r = .60$ ,  $p < .05$ ) (see Table 6.17). The positive relationship shows that among YWH, relatively, YWH who has housing affordability problems in terms of house price will have problems in household income as well. Moreover, the analysis

result of the Spearman correlation test between household income and housing choice shows a significant weak relationship in housing affordability problems among YWH ( $r = .343$ ,  $p < .05$ ) (see Table 6.18). Similarly, the analysis result of the Spearman correlation test between housing choice and house price shows a significant weak relationship in housing affordability problems among YWH ( $r = .307$ ,  $p < .05$ ) (see Table 6.19). Above all, the analysis and discussion of the Likert scale underline that the housing affordability problem is house price, household income and housing choice which are separate problems but are interrelated.

Table 6.17 Spearman correlation test between house price and household income  
Correlations

			House Price	Household Income
		Correlation Coefficient	1.000	.600**
	House Price	Sig. (2-tailed)	.	.000
Spearman's rho		N	271	271
		Correlation Coefficient	.600**	1.000
	Household Income	Sig. (2-tailed)	.000	.
		N	271	271

\*\*. Correlation is significant at the 0.01 level (2-tailed)

Source: Questionnaire Survey (2012)

Table 6.18 Spearman correlation test between household income and housing choice  
Correlations

			Household Income	Housing Choice
		Correlation Coefficient	1.000	.343**
	House Income	Sig. (2-tailed)	.	.000
Spearman's rho		N	271	271
		Correlation Coefficient	.343**	1.000
	Housing Choice	Sig. (2-tailed)	.000	.
		N	271	271

\*\*. Correlation is significant at the 0.01 level (2-tailed)

Source: Questionnaire Survey (2012)

Table 6.19 Spearman correlation test between housing choice and house price  
Correlations

			Housing Choice	House Price
		Correlation Coefficient	1.000	.307**
	Housing Choice	Sig. (2-tailed)	.	.000
Spearman's rho		N	271	271
		Correlation Coefficient	.307**	1.000
	House Price	Sig. (2-tailed)	.000	.
		N	271	271

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Source: Questionnaire Survey (2012)

Similarly, the persistent housing affordability problem is focus on the accessibility restriction of potential homeowners in the private housing market (Wilcox, 2003; Mak *et al.*, 2007). From the in-depth interview, majority (6 out of 8 respondents) of the respondents generally perceived house price in the private housing market are not affordable (see Table 6.20). Those interviewed explained that income of a university graduate who works in an urban area is not enough to afford a house in the private housing market. This shows that YWH has difficulty in terms of income for housing because they are considered to be at the lower tail of the income distribution as argued by Bajari *et al.* (2005) and Matlack and Vigdor (2008). Furthermore, this supports Bramley's (2012) claim that the homeownership problems are more common among YWH due to lower incomes and limited asset accumulation. Those interviewed explained,

“The only problem for me would be the required 10% down-payment to purchase a house”

Code: YWH2

”I have a problem with access to housing mortgage as getting the logical loan tenure and rate of financing seems impossible. The challenge I faced is coming up with the 10% down payment when purchasing a sub sale unit and financing options”

Code: YWH8

Apart from that, another concern raised is on the inflation rate between house price and household income. It was argued that household income of YWH is lower and there is a challenge to balance housing costs and non-housing expenditures (Stone 2006). One of the respondents highlighted that,

“Inflation rate between current household income and property prices is a major problem. A working family do not make enough to afford a decent landed property in urban areas. Living expenses are also getting higher and causes more percentage of the household income is used for it.”

Code: YWH5

Table 6.20 Housing affordability problems among YWH

<b>Housing affordability problems</b>	<b>No. Participants confirmed the identified housing affordability problems</b>	<b>Problems and elaboration</b>
	6	Housing choice - Limited supply of affordable housing
	6	Household income - Insufficient for housing and consumptions in urban area - Not enough to secure housing loan thus difficult
	6	House price - Inflation between house price and household income

Source: In-depth interview (2012)

However, there is evidence of affordable housing supply in the private housing market (Wan *et al.*, 2010). Due to increasing land prices, affordable houses are located outside of urban areas that will require YWH to purchase own transportation to commute. The housing supply of affordable houses only considers house price and type of house. The location factor is important for a house as argued by Kiel and Zabel (2008). Due to this, those interviewed, stressed that even though there are affordable houses in the private housing market, the location of the houses has restricted access to transportation options. The respondents made the following comments,

“Location is a problem as most affordable houses are in suburban areas and not accessible by public transport”

Code: YWH5

“Housing that is affordable are poorly located which is far or no public transportation and has a crime perception as well. Buying a house is already consuming a large sum of money and with the location far away from my work place, it will increase my living cost due to the petrol and maintenance to my car and it will take me a long time to travel too”

Code: YWH8

Moreover, Thalmann (2003) argued that if income minus the cost of standard housing consumption is no less than standard non-housing expenditure or if the cost of standard housing consumption does not exceed a given share of income then they are housing affordability problems. In line with this argument, the respondents explained that their monthly consumption has exceeds their income thus they cannot afford to purchase a house of their choice. However, one of the respondent (Code: YWH5) elaborate that even with the income combination of both husband and wife is not sufficient to

purchase the type and location of their housing choice. Those interviewed also agreed that with a higher income, they would be ready to purchase a house.

The recommended percentage for household to spend on mortgage payment is 30% of their income (Garner, 2008; Baker and Beer, 2007). Though, the recommended percentage was never regulated, it has served as a guideline for financial institutions on securing housing loans. There were mix views from the respondents on the recommended 30% rule. Those interviewed made the following comments,

“I believe it is possible for those who earns a lot and are financially stable... I find it difficult to cater my living expenses and other financial commitments with current conditions”

Code: YWH2

“As a general rule, monthly commitments should not exceed 1/3 of one’s income and this includes car loan, housing loan et cetera...If I have to contribute 30 per cent solely to purchase a house and at the same time pay off other loans, I would be considered financially unfit since I would have used more than 1/3 of my income”

Code: YWH3

“If the 30 percent income for housing is imposed, the balance of 70 percent of income is more than adequate for expenses and financial commitments. However, I believe that 40-50 per cent of income should be used to purchase a house”

Code: YWH7

The view of respondent YWH7 contradicts with other respondents because the respondent disagreed that houses are expensive and the housing affordability problem is attributed towards lack of financial literacy. Respondent YWH7 explained that “the biggest share of income should be spent towards purchasing a house as it is the largest expenditure for a household” and strongly believed that other commodities such as car prices should be lowered. Furthermore, the subject of income escalated in the interviews that led to the discussion of financial literacy. Those interviewed explained YWH are not able to manage their finance well and this affects their perceptions on affordability of houses in the market. However, one of the respondents made the following comment,

“I do agree that I have a comfortable lifestyle which attunes me to incur a middle-high living cost... but to my defence it is how we live where we upgrade ourselves to live better and it is just that in a sense that I would have to give up all of this if I were to purchase a house”

Code: YWH4

Having established the housing affordability problems, it can be argued that the main concern is insufficient household income and expensive house prices in urban areas. Apart from that, the need to purchase a car is beyond lifestyle and is a necessity. Due to this, YWH face difficulties to purchase a house especially with the limited choice of affordable housing in the market. Moreover, the analysis also demonstrated that lack of financial literacy is also a problem among YWH that alters their perception on affordable house prices.

Furthermore, Phang (2009) argued that house price is the deciding factor for housing affordability. According to the Property Market Reports by NAPIC (2012), house prices have increased in the past years and it is making it impossible for YWH to purchase a house in Greater KL. Majority (6 out of 8 respondents) of those interviewed

agreed that exuberant house price in urban area is the cause of homeownership problems (see Table 6.21). However, two of the respondents disagreed and explained house prices are seen expensive because “we use quite a big percentage of our salary towards logistical issues like owning cars because of unreliable public transports” (Code: YWH7) and “the reason why YWH perceived it [house price] to be expensive because of unnecessary fear created collectively by property speculators and depressed housing supply” (Code: YWH8). The insufficient household income to acquire both a house and a car will caused unreasonable burden on household income (MacLennan and Williams 1990; Stone 2006). As discussed previously, lack of financial literacy is what caused the houses to be perceived as unaffordable. One of the respondents (Code: YWH2) agreed that everyone is not fully aware of appropriate financial management and mostly it is due to the styles of upbringing and education that one has experienced. Those interviewed made the following comments,

“I find that my peers may have the awareness that they need to save money or buy a house but not the understanding or knowledge on how much they should save, invest on buying a house, insurance, and so forth. Hence, it leads to lack of motivation to save or invest because they may feel it is too much of a burden.”

Code: YWH1

“There is still much more to learn. This is possibly due to lack of exposure and lack of interest in the individuals itself”

Code: YWH3



However, there were respondents who disagreed that lack of financial literacy contributes to the housing affordability problems. One of the respondents explained,

“I simply believe that young households nowadays have too much on their plate with limited resources and income....The focus is mainly on keeping ourselves afloat every month and the focus on bigger things such as buying a house is overlooked.”

Code: YWH4

Table 6.21 Cause of housing affordability problems among YWH

<b>Housing affordability problems – Cause</b>	<b>No. Participants confirmed the identified housing affordability problems</b>	<b>Problems and elaboration</b>
	6	House price - Expensive and unaffordable house price perceived by YWH
	8	Housing supply - Limited housing choice of affordable housing in urban area
	6	Household income - Insufficient income led to limited capability to purchase a house in urban area
	7	Financial literacy - No awareness of financial literacy among YWH - Majority of YWH upbringing is by first generation of middle income class - Lack financial knowledge management

Source: In-depth interview (2012)

The perception of expensive house price contributes to the cause of the housing affordability problems. Moreover, insufficient household income is also one of the causes due to lack of financial management skills. Lack of knowledge of financial management warrants financial literacy to be included in housing policy and schemes (Alexiu *et al.*, 2006). The problem of limited state intervention in the housing market especially in providing affordable housing for YWH has emphasise the degree of housing affordability problems among YWH. The next section examined and deliberated the attributes of housing policy and schemes in housing affordability problems among YWH.

### **6.7.2 Housing policy and schemes in addressing housing affordability problems**

Housing policy and schemes are important to address housing problems with the goal to ensure every household enjoys their housing right. With the exception of low income group, the market is the main contributor towards providing houses for the people. When housing market fails along with some segments of other markets such as consumer goods, the meaningful role of state depends on it. Indeed, the state has to intervene in taking various steps towards maximising social welfare. This analysis seeks to argue housing policy and schemes fails to address and contribute to the housing affordability problems. In line with the framework of this study, the perceptions on NHP, PR1MA and MFHS, policy strategy for YWH, integrating financial literacy in housing policy and on control housing market are analysed.

The findings reveal that YWH agreed that NHP did not help them in addressing housing affordability problems but this is with a weak majority of 45.7 percent. This is followed by 32.5 percent who are undecided or neutral and 21.8 percent who disagreed. Consequently, the analysis on the perceptions on whether housing schemes such as PR1MA and MFHS will help them in housing is similar with the perceptions on NHP.

By a weak majority, 45.1 percent agreed, 32.1 percent are undecided or neutral and 22.9 percent disagreed. The perceptions on similar policy strategy to help low income households should be imposed to YWH however show a different result. With the majority (67.6%) of the respondents agreed while 8.1 percent disagreed. The perception on including financial literacy in housing policies are positive from YWH as 69.4 percent of the respondents agreed and only 3.7 percent disagreed. This is followed by the perception on the state should control the housing market where 43.2 percent 'strongly agree' and 37.6 percent 'agree'. Only 16.2 percent are undecided or neutral, 1.8 percent 'disagree' and 1.1 percent 'strongly disagree'.

Due to the weak majority percentage of respondents agreed to NHP, PR1MA and MFHS, the mean is further determined in the analysis. The mean on the perception of YWH towards NHP is 3.34 while the mean for the perception on PR1MA and MFHS is 3.29. This shows that YWH could not decide or else has a neutral perception on whether NHP and housing schemes is helping them to become homeowners. As a result, it can be argued that YWH are not aware of NHP and housing schemes. Lack of awareness of NHP, PR1MA and MFHS has led to YWH missing out on opportunities to received assistance in purchasing their first house. Apart from that, emphasise on financial literacy can be considered to be embedded in the NHP. The exclusion of financial literacy presented a problem in housing affordability problems among YWH as argued by Alexiu *et al.* (2010). Moreover, YWH perceived that the absence of state control housing market attributes to the problem. In line with Phang (2009) who argued that a controlled housing market by the state is important in ensure households are able to purchase a house. This also supports YWH seeking similar state policy strategy on low income households to be imposed to YWH (Baker and Beer, 2007).

Moreover, the data analysis results of the Mann-Whitney U test (see Table 6.22) show that there is a difference in perceptions on housing policy and schemes that is significant between respondents who earn RM 2,001 - RM 3,000 and respondents who earn RM 7,001 – RM 8,000 [ $p < .05$ ]. The mean value of respondents who earn RM 2,001 - RM 3,000 (64.44) transcends respondents who earn RM 7,001 – RM 8,000 (5.50). This shows that respondents who earn RM 2,001 - RM 3,000 in the population of this study experienced more problems in housing affordability.

Table 6.22 Mann-Whitney U Test between housing policy and gross monthly income

Test Statistics<sup>a</sup>

	Housing Policy (RM 2,001 - RM 3,000 and RM 7,001 – RM 8,000)
Mann-Whitney U	8.000
Wilcoxon W	11.000
Z	-2.273
Asymp. Sig. (2-tailed)	.023
Exact Sig. [2*(1-tailed Sig.)]	.006 <sup>a</sup>

a. Not corrected for ties

b. Grouping Variable: Gross Monthly Salary

Source: Questionnaire Survey (2012)

Apart from that, the data analysis results of the Mann-Whitney U test (see Table 6.23) reveal that there is a difference in perceptions on housing policy that is significant between respondents who are renting and respondents who lives with family (family residence) [ $p < .05$ ]. The mean value of respondents who are renting (150.63) exceed respondents who lives with family (118.51) that shows respondents who are renting in the population of this study experienced more problems in housing affordability. The box plot graph explained that the median value of respondents who are renting is higher as compared to the median value of respondent who lives with family. The respondents who earn who are renting experienced more problems in housing affordability.

Table 6.23 Mann-Whitney U Test between housing policy and current residence

Test Statistics<sup>a</sup>

	Housing policy (Renting and family residence)
Mann-Whitney U	6483.000
Wilcoxon W	17658.000
Z	-3.399
Asymp. Sig. (2-tailed)	.001

a. Grouping Variable: Current Residence

Source: Questionnaire Survey (2012)

Based on the Spearman correlation test, there is a moderate relationship that is significant between housing policy and housing affordability in the housing affordability problems among YWH ( $r = .538$ ,  $p < .05$ ) (see Table 6.24). The positive relationship shows that among YWH, relatively, YWH who has housing affordability problems in terms of housing policy have problems in housing affordability as well. This shows that housing affordability among YWH is relatively influence by housing policy. In this study, the Spearman correlation test demonstrated that the weakness of housing policy and schemes leads to housing affordability problems.

Table 6.24 Spearman correlation test between housing policy and housing affordability  
Correlations

			Housing Policy	Housing Affordability
		Correlation Coefficient	1.000	.538**
	Housing Policy	Sig. (2-tailed)	.	.000
Spearman's rho		N	271	271
		Correlation Coefficient	.538**	1.000
	Housing Affordability	Sig. (2-tailed)	.000	.
		N	271	271

\*\*. Correlation is significant at the 0.01 level (2-tailed)

Source: Questionnaire Survey (2012)

In line with this study, from the interview questions, all of the respondents agreed that the state has to intervene in this issue (see Table 6.25). Those interviewed stressed that the state should address the housing demand. There is a greater demand when there are tendencies for children to leave the parental house when they started working (Stutz and Kartman 1982). However, there is an issue of foreign investors (Tan, 2012). As housing is considered to be a good investment, when there is a higher demand it also includes house buyers who intend to invest and expect to capitalise on the appreciation in house value. Those interviewed explain,

“By restricting the number of houses a person can buy especially in places with high demand, it will control the demand and this way the house price can be maintained”

Code: YWH1

“The government should also implement an affordable housing quota for current developments. With this quota, each development is required to provide a few percentage of their property as affordable houses”

Code: YWH5

“The demand for affordable housing should be addressed and should not only addressed but implementing it in an effective framework”

Code: YWH6

Table 6.25 Housing affordability problems – housing policy and schemes

Housing affordability problems – Housing policy and schemes	No. Participants confirmed the identified housing affordability problems	Problems and elaboration
	8	Housing demand <ul style="list-style-type: none"> <li>- Inflation rate</li> <li>- Affordable housing quota for YWH</li> </ul>
	8	Finance <ul style="list-style-type: none"> <li>- Difficult to secure housing loans</li> <li>- Difficult to purchase sub-sale housing units</li> </ul>
	8	Control housing market for YWH

Source: In-depth interview (2012)

Based on the quotations, the relationship of demand and supply revolves around the households' willingness to pay for the house price, the willingness of the developers to supply and also the willingness of households to demand (Green and Hendershott 1996). Moreover, those interviewed explained house price needs to be addressed by the state. Respondent YWH 2 believed that it is important for the policy makers to be aware of the inflation in terms of house price. The respondent also added that some houses are priced at "exorbitant prices even though their qualities are not up to the price tags". Respondent YWH5 agreed to this and considered inflation of house price to income is a crucial matter towards addressing this problem by the state.

One of the respondents further explained,

“Serious attention is needed as prices keep ballooning each year... The house prices should be controlled, perhaps by proposing a price bracket for lower and mid-range houses in urban areas... The policy should emphasise on what needs to be done in controlling the lower and mid-range houses for the young households”

Code: YWH4

Apart from that, another concern of the respondents to address is in terms of finance. All of the respondents agreed that finance for housing is an issue that the state has to address. The problems include initial purchase and affordable monthly mortgage payment. Those respondents explained,

“Crucial factors in buying a house are the price and obtaining loans. It would be better if financial support can be given to those that are of the middle income group but are having difficulties in getting a loan”

Code: YWH3

“The housing policy should address the issues of coming up with the 10 percent down payment when purchasing a sub-sale unit and financing option when purchasing an under construction property”

Code: YWH8

Respondent YWH8 added that with the current housing market, if YWH wants to reside near their work place, they will need to look in sub-sale unit. Notably, there are also unique answers to this interview question. One of the respondents (Code: YWH3) explained that housing should be equipped with amenities. This respondent elaborated that the focus should also be given to provide sufficient amenities, for an example, if a new housing area is developed but there are no shops, schools, public transportation,



there is a high possibility that YWH will not consider to purchase the house despite its affordable house price. Moreover, one of the respondents (Code: YWH7) argued that the state failed to see the bigger picture of the housing affordability problem. This respondent explained,

“I believe the government fail to see the bigger picture which may be the actual reason on the perceived housing affordability problem... On top of the extremely high car prices, we are not imbued with strong financial literacy and this should be tackled as part of early childhood education”

Code: YWH7

Furthermore, those interviewed justified that the state should control the housing market to address the housing affordability problem as argued by Phang (2009). Respondent YWH4 viewed that a controlled housing market similar to Singapore will help YWH enter homeownership while respondent YWH6 believed house prices will be cheaper with a controlled housing market. However, respondent YWH1 is unsure on the impact of a controlled housing market and believed if it is towards a positive impact then it should be considered by the state. There are reasons why controlled housing market has not been enforced in Malaysia. Instead, the state curbs speculation in the housing market through the implementation of Real Property Gain Tax (RPGT) (as discussed in Chapter 4). One of the respondents made the following comment,

“I don’t agree with a controlled housing market as a market dictated real estate is historically less risky compared to a rigidly structured market. However, I do agree that a controlled segment for first-time house buyers is needed to enhance wealth creation and protect them for unscrupulous sellers”

Code: YWH8

In summary, the state should consider controlling a segment of the housing market especially for YWH. It is the role of state to intervene when the pre-existing market is a failure, in which in this case is the first-time house buyers' market. The objective of the state is to maximise the social welfare. However, this objective was not met because of the prevailing housing affordability problems and also the gap of affordable housing in the housing market for YWH. However, state intervention is not only needed when the pre-existing market fails. It is also needed when the divergence between need and demand which induces the state to intervene in the market and fill this gap (Wadhwa, 1988).

Generally, all of the respondents interviewed agreed that state intervention in the housing affordability problem is positive impact. From the views of the respondents, there are four implications of state intervention in housing affordability problems among YWH. Firstly, those interviewed explained that state intervention will be positive in terms of finance for YWH if the state imposed a minimum wage especially for fresh graduates. This will help YWH to purchase their first house. According to Najib (2011), the state announced the establishment of a National Wage Consultation Council as the main platform for wage determination. To date, the basic salary of postmen and security guards were among the first occupation to have salary adjustments. However, there was no indication of other occupation's basic salary adjusted to date. One of the respondents explained,

“There are plenty of young households who are ineligible for housing loans and this may be due to their small pay so this should be tackled, either by setting a minimum wage policy or reviewing loan terms”

Code: YWH3

Apart from that, those interviewed viewed that state intervention will help to reduce social problems associated to homeownership. One of the respondent (Code: YWH2) explained that by enhancing opportunities of YWH to own their house, it will YWH to focus on building a positive life and consequently help reduce social problems. However, the house has to be of their choice that is acceptable and feasible to build at an affordable price. Moreover, the delivery of affordable housing in the middle income group should not be the same with the delivery for low income group. This is because, public houses are perceived for low income households (Fu *et al.*, 2000). The households care for the general upkeep of the neighbourhood as well as the distance of schools and town centres is highly important as well (Kiel and Zabel, 2008).

Furthermore, the respondents interviewed explained that state intervention should consider controlling a segment of the housing market. Most of the respondents agreed that if state controls the housing market it will give positive implications. This will help to increase the supply of affordable house. Those interviewed explain,

“When the government starts a trend for more young households to afford their own house, it might make more housing developers to consider providing more affordable housing with their own initiative and house price build by private developers might be expected to skew towards affordable houses”

Code: YWH5

“Even though government intervention is crucial... the government has to see the problems in holistic aspects because housing industry involves many interest parties... people have put their trust on the government.”

Code: YWH6

While state intervention is crucial as implied by respondent YWH6, the state has to be serious in this matter as well. The introduction of MFHS is to lift the financial burden of YWH while the introduction of NHP and PR1MA focused on providing affordable housing supply in the market.

## **6.8 Summary**

The housing affordability problems experienced by YWH determined that there is a need for continuing and substantial initiative by the state in executing the policy designed for affordable housing. In this context, affordable housing for YWH has not achieved with just promises by the state to encourage private sector to develop affordable housing. Present attempts to increase opportunities for YWH to purchase a house portray success in reaching out to the target group. However, the likelihood of success in achieving the key aim of the housing policy and scheme is still vague.

The implementation outcome of NHP, MFHS and PR1MA has yet to be measured. However, the implementation initiative of MFHS has given financial opportunities for YWH to purchase a house in terms of initial purchase and transaction costs. Though, MFHS lacks awareness in promoting the schemes to YWH. This lack of promotion led to problems of transparency in application, efficiency of the application process and delivering the promise of assisting YWH with securing housing loan and discount transaction costs. Moreover, the implementation of NHP and PR1MA is to ensure affordable housing supply in the market. The findings demonstrated that affordable housing supply is still low in Greater KL despite subsidies and incentives given by the state. Even though the type of house match the affordability of YWH (based on NAPIC, 2012), the range of house price offered by the scheme does not match. The findings indicated that YWH age between 20 to 29 years old are more critical in the housing affordability problem and cannot afford houses that reach RM 400,000 where as for

YWH age between 30 to 39 years old who cannot afford a house has a problem of managing their finance. It is argued that financial literacy should be considered in housing policy and schemes.

The empirical evidence clearly determined that there are three separate but inter-related problems. The problem of insufficient income to buy a house relates to housing price that is beyond their means. Even more, there is limited housing choice in the supply of affordable housing in the housing market. Thus, the role of state in this problem is important especially in closing the gap of supplying affordable housing in the housing market. In the next chapter, the findings from the in-depth interview with state representatives will be discussed.

## **CHAPTER 7**

### **THE ROLE OF STATE AND RECOMMENDATIONS TO ADDRESS HOUSING AFFORDABILITY PROBLEMS AMONG YOUNGER WORKING HOUSEHOLDS**

#### **7.1 Introduction**

This chapter seeks to determine the housing affordability problems from the perspective of the state. The state promotes the NHP, MFHS and PR1MA to address housing affordability problems among YWH. Due to this, it warrants views from the state on these housing affordability problems among YWH as well. This chapter discussed the qualitative analysis of the findings from the in-depth interview with state representatives. It examines the views of state representatives on housing affordability problems and to what extent should the state intervene in addressing these housing affordability problems. This chapter aims to answer the third research and forth question. The material presented in this chapter draws on interviews transcript and field notes gathered from the respondents.

#### **7.2 State intervention in providing affordable houses for younger working households**

This chapter demonstrates the qualitative analysis of the findings of housing affordability problems among YWH. The housing affordability problems determined are in line with the evidence presented in previous chapters (see Chapter 3 and Chapter 4). The qualitative analysis of the findings will provide elaboration on the housing affordability problems. The selection of respondents for the in-depth interview is

considered appropriate and un-bias. The in-depth interview also includes seven (n=7) respondents which are state representatives. The state representatives from Ministry of Urban Wellbeing, Housing and Local Government, Prime Minister Office (for PR1MA), Ministry of Finance (for MFHS), City Hall of Kuala Lumpur, Board of Housing and Real Estate Selangor, Majlis Perbandaran Subang Jaya, Majlis Bandaraya Petaling Jaya. The state representatives interviewed has wide experiences in addressing housing affordability problems. They are involved in formulating and/or promoting housing policy and schemes as well as highly involved in housing supply especially affordable housing. As for the selection of representatives, the respondents chosen are based on who the state decided is best to represent them in this case. It should be noted that, the respondents for this in-depth interview are from the state and its affiliations involve in formulating and promoting the housing policy and schemes as well as in housing supply. Therefore, the in-depth interviews are considered to be fitting and eliminate the element of bias.

In the next section, the findings from the interviews with the state representatives are presented. The aim of this analysis is to distinguish the housing affordability problems among YWH as perceived by the state. This will established the perspective of the state in identifying housing affordability problems among YWH. Moreover, the views from the state offer an insight of the chosen to address this problem. The interview's answers are presented in themes of:

- a) State's identification of housing affordability problems among YWH
- b) The challenge in addressing housing affordability problems among YWH
- c) Emerging housing policy and schemes to address housing affordability problems among YWH
- d) Recommendation to address the housing affordability problems among YWH

### **7.3 State's identification of housing affordability problems among younger working households**

The housing affordability problems discussed in the previous section is from the perspective of the agents, which are YWH. According to Hitlin and Elder Jr. (2004), the agent represents a human capacity to influence decisions made within the structured opportunities, in which, this case presents how housing policy and housing schemes influence their decision in purchasing their first house. Due to this, housing affordability problems is important for the state to recognise. Previous analysis established that the perception of YWH in housing affordability problems is attributable to expensive house prices. Additionally, affordable housing supply is located in poor location with limited access to public transportation. Majority (5 out of 7 respondents) of the respondents interviewed agreed there are problems faced by YWH (see Table 7.1). Those interviewed explained,

“Younger working household today has no opportunity to purchase a house in urban areas such as Petaling Jaya... the cheapest house price is a service apartment and that is zoned under commercial so the starting price starts at RM500,000 due to expensive land prices... this price is too expensive for younger working households”

Code: RS3

“These problems faced by younger working households are due to several factors. One if the factors is speculation. There are speculators or probably investors who are adding to their assets... [...] investment in housing is lucrative... another factor is high cost of living... Such places like Subang Jaya, there are an elite group with high income and have marked the place as a high cost area... apart from that, the price of land is expensive. Due to this, there is



insufficient land to build affordable houses. Additionally, when there is high demand, the house prices will increase”

Code: RS4

Expensive land price contributes to the housing affordability problem because it increases house price. One of the factors of increasing land price is due to scarcity of land especially in urban areas. This has caused housing developers to build houses on the outskirts of urban areas. One of the respondents explained,

“When you say affordable for young people what are their income level? Say, RM 2,000 to RM 3,200? Only 30% of this income you are supposed to pay for housing... considering single household income, how much is that? Say RM900... So what kind of houses can they buy with RM900? If it’s in an urban area, you cannot run away from an apartment. An apartment that’s RM900 a month, house price is around RM 250,000. For us, the affordable houses in Selangor are houses that are below RM 100,000, between RM 90,000 to RM 150,000. So at this moment they can afford in Selangor but they need to purchase a car to travel to work because our public transportation system is still poor”

Code: RS6

Table 7.1 State's definition of housing affordability problems among younger working households

Housing affordability problems	No. Participants confirmed the identified housing affordability problems	Problems and elaboration
	5	House price <ul style="list-style-type: none"> <li>- No opportunity to purchase a house in urban area</li> <li>- Too expensive for YWH</li> <li>- Land price expensive in urban area</li> </ul>
	7	Financial literacy <ul style="list-style-type: none"> <li>- Upbringing of YWH from well off parents</li> <li>- YWH has different set of priorities</li> <li>- Lack financial management knowledge</li> </ul>

Source: In-depth interview (2012)

However, there are views from those interviewed who disagreed that there are housing affordability problems among YWH. Those interviewed made the following comments:

“Since 5 years ago, the average house price in Malaysia increases about 25.5% based from the data collected by NAPIC. In the year 2007 the average house price is RM 182, 127 whereas as in the year 2011 the average house price has risen to RM 228,091... [...] the housing affordability is where a household has the financial capacity to pay all the costs involved in purchasing a house and at the same time has enough residual income to sustain living cost. The level of housing affordability among young households' measures from their occupation and total income... the housing market has various types of houses to choose from and it depends on the type of house and location.”

Code: RS1

“The major issue for younger working household is the housing deposit... For those working in the private sector, their bonus might cover their housing deposit unlike those working in the public sector. But, for those who are working in the public sector they are entitled to government housing loan which is okay...they have to cover other costs as well such as legal fees, stamp duty, moving costs and others.”

Code: RS2

Moreover, all of the respondents agreed that financial literacy is part of the housing affordability problems among YWH. The respondents underlined that most of YWH today received privilege of comfortable basic needs from their parents. One of the respondents explained,

“The issue of younger working household is basic needs are already provided. If you were to see this problem in the bigger picture, what we need are just basic needs. But today’s young household are different. They have no problem if they quit their job and then look for another after quitting because they have their parents. This is especially for those parents who are living in urban areas. It is a social impact today where the young generation is not worry if they do not have enough money due to the support from the family. This is why other needs come first such as purchasing their first car”

Code: RS2

Moreover, one of the respondent (Code: RS7) shares similar views but from a different perspective. The respondent explained,

”It is difficult when your lifestyle drove you to a point that you cultural needs have overcome your basic needs...[...] young households spends more than they

earn ... [...] they have to realise their basic needs are much more important than their cultural needs.. [...] but understanding this has come from themselves and cannot be taught”

Code: RS7

Having established the housing affordability problems faced by YWH, the state identified similar problems with YWH. The housing affordability problems such as expensive house price and lack of financial literacy match from the perceptions of YWH. However, the state perceived such problems can resolve. The state argued that affordable houses are available in the private housing market. It is YWH behaviour that has led to them facing housing affordability problems. Conversely, there are weaknesses in state intervention in addressing this problem if YWH has no opportunity in enjoying their housing rights (Buang, 2010).

#### **7.4 The challenge in addressing housing affordability problems among YWH**

One of the objectives of housing policy and housing schemes is to ensure there is supply of affordable houses for the target group. All of the respondents agreed and elaborated on the challenges to provide affordable houses for YWH (see Table 7.2). The respondents made the following comments,

“From my point of view, the strategy used to provide houses for squatters can be replicate for affordable housing... [...] we will consider what will be best for the whole plot of land... our principle will be to not make any loss... if we have to build affordable houses as well it will work towards this similar path”

Code: RS2

“Even though to build affordable homes for the young is very much supported, I feel that it should be in a form of a starter homes... a starter home with no less than 650 square feet would be ideal... the other thing that we want to do is to do an affordable city hub at close range with public transportation and another point will be to build a community”

Code: RS6

As previously discussed, expensive land price contributes to the housing affordability problem due to the scarcity of land in urban areas. The high land price is reflected in the house price which caused perceptions on unaffordable house price especially among YWH. Those interviewed made the following comments,

“There is a problem to provide affordable houses because majority of the land in urban areas are privately own hence, it is difficult to build according to what is needed”

Code: RS3

“The problem is that we have no land to build affordable houses... we will follow what the government calls for”

Code: RS4

Table 7.2 Challenge in addressing housing affordability problems among YWH

Affordable housing	No. Participants confirmed the identified the challenges in addressing housing affordability problems	Problems and elaboration
	7	Land price <ul style="list-style-type: none"> <li>- Majority of land is privately own</li> <li>- Limited land to build affordable housing</li> <li>- High cost of compliance with various policies</li> </ul>
	5	Increasing building cost and high cost of compliance with various policies and stricter regulations

Source: In-depth interview (2012)

Apart from that, majority (5 out of 7 respondents) of the respondents stressed that there are obstacles to supply affordable houses. These include high cost of compliance with various policies and stricter regulations in the property development, scarcity of land in urban areas and increase costs in building materials. Those interviewed explained,

“With increasing cost of building materials the government should also look into this matter in plans of building affordable houses... because of these escalating prices it is difficult for the housing developers to build affordable houses because of the small profit margin if asked to build affordable house”

Code: RS6

“The problem in supplying affordable houses is to derive the affordable price... [...] affordable price will set the benchmark of affordable houses... this will eventually become the benchmark affordable house price for other housing developers... [...] building materials cost is increasing perhaps locally made building materials should be considered in building affordable houses”

Code: RS7

However, there are also other factors that should be considered in housing supply for affordable houses for YWH. One of the respondents explained,

“Supplying affordable houses is more than physical built houses at affordable prices... there are a lot of factors that has to be looked at such as financing, demand... [...] the highlight would be to regularise spending of young household to focus on basic needs”

Code: RS7

It can be concluded that there are problems in providing housing supply for YWH. The answers from those interviewed implied that the main problem to supply affordable houses is the availability of land. Land is necessary to create and develop sufficient urban land for housing purposes (Bredenoord and Verkoren, 2010). Furthermore, today's development projects are on much smaller plots of land which makes it difficult to comply with building affordable housing (Tan, 2012). Apart from that, the state should also investigate rising construction costs.

## **7.5 Emerging housing policy and schemes to address housing affordability problems among YWH**

Generally, the mechanisms to address the housing affordability problems are through housing policy and housing schemes. All of the respondents agreed and explained there are efforts in providing assistance for YWH in terms of supply of affordable housing and also in housing loans as well (see Table 7.3). One of the respondents interviewed made the following comments,

“For those in the middle income group, who earns in between RM 2500 to RM 7500 a month, the government has introduced Program Perumahan 1Malaysia (PR1MA) to help middle income households especially in urban areas. PR1MA houses are cheaper than market prices because the houses are built on government own land. Apart from that, My First Home Scheme (MFHS) was introduced to help first time buyers with loan financing as the scheme offers 100 per cent from financial institutions. Individual applicant must earn not more than RM 3000 a month for and joint applicants earn not more than RM 6000 a month. National Housing Policy introduced a comprehensive approach to increase housing affordability. This policy will help reduce housing related issues in the country as a whole to ensure a healthy development of housing industries for the future. Moreover, the policy is a basis for a more efficient and systematic housing planning and development sector.”

Code: RS1



Table 7.3 Emerging housing policy and schemes to address housing affordability problems among YWH

Mechanisms to address housing affordability problems	No. Participants confirmed the mechanisms to address housing affordability problems	Problems and elaboration
	7	Housing initiatives through housing policy and schemes <ul style="list-style-type: none"> <li>- To supply affordable housing</li> <li>- To assist in securing housing loans</li> </ul>
	7	Concept of affordable housing <ul style="list-style-type: none"> <li>- Positive living environment</li> </ul>

Source: In-depth interview (2012)

This effort is supported by the results of one of the schemes and as an example, as of September 2012, there are 431 successful applicants and a total of RM65.5 million of housing loans has been given out. Moreover, the same notion is similar and the respondents all agreed that it is the responsibility of the government to help YWH. One of the respondents added:

“For now, affordable housing policy has been introduced and there are also in discussion on a proposed housing scheme for executives that is suitable for younger working households.”

Code: RS5

The fact that there are in discussion of introducing housing scheme for YWH shows that the responsible authority is aware on this housing affordability problems faced by YWH. The housing schemes will not only benefit YWH but also improves the housing ownership among YWH. One of the respondents explained:

“Understanding the need of this household group in the planning stage of the housing initiatives is important. Because of this, there is a need to supply various types of affordable houses such as studio apartment, mid-size apartment between 800 to 900 square feet and another size of 1000 to 1200 square feet. There will be four different types of family which is the bachelor, the start-up family, the intermediate family and matured family. Because affordable houses are catered for the sandwich class, it is not the same as delivering houses for the low income households. It should also be about community living”

Code: RS7

The argument sets at the role of government involves not only in supplying affordable houses but also the concept of living in affordable houses. As housing attributes to positive living environment, this action is very much needed to help YWH in housing. Arguably, the steps taken by the state is based on the identification of housing affordability problems among YWH.

However, the power lies in the head of authorities but not the authorities' agents. As said by one of the respondents (Code: RS7), harmonising with all the federal and state government is crucial in building affordable houses. Even more, the local authority has no means in providing affordable house mainly due to the fact that they do not own lands within their authority and the effort of developing affordable houses is out of their limit. Due to this, it can be argued that the working circle of the high authority to the low authority is not working harmoniously. One of the respondents conferred:

“We are currently planning an urban renewal in this area. We have started and we will build SOHO and service apartments. The change of land use will enable us to development housing that is considered to be affordable for the young.”

Code: RS3

The analysis of the answers from those interviewed shows that there are weaknesses in NHP and PR1MA. From the answers gathered, the NHP has not resolved the housing affordability problems. This is because the thrust in the NHP only encourage housing developers to build affordable houses for middle income group. There is no concrete involvement of the state in supplying affordable housing. Furthermore, PR1MA was introduced as a vehicle for the state to ensure affordable houses are available in the housing market. However, PR1MA has no land banks to build affordable house and has to rely on joint ventures with private housing developers. Moreover, the affordable house price as set by PR1MA will be a benchmark for affordable houses to sell at its ceiling price of RM 400,000. There is a need for the federal and state governments to collaborate with private housing developers to build houses for YWH (Tan, 2012).

#### **7.6 Recommendation to address the housing affordability problems among younger working households**

All of the respondents agreed that there is a need to address the housing demand of YWH in order to overcome the housing affordability problems among YWH (see Table 7.4). In the NHP, this has been addressed but it was only the encouraged and is given support to build affordable houses rather than an initiative and incentives to provide affordable houses similarly to low cost houses. One of the respondents stated:

“For long term affordable homes, there should be a system with the government. Similar to the Singapore public housing policy where if you were to sell the

affordable homes, you must sell it back to the government and not in the open market. There should be a control market.”

Code: RS6

Table 7.4 Recommendation to address this problem

<b>State intervention</b>	<b>No. Participants confirmed on recommendation for state intervention</b>	<b>Problems and elaboration</b>
	7	Housing demand <ul style="list-style-type: none"> <li>- Affordable housing system</li> </ul>
	7	Household income <ul style="list-style-type: none"> <li>- Create awareness on financial literacy</li> <li>- Improve financial knowledge</li> </ul>
	5	Rental market <ul style="list-style-type: none"> <li>- YWH should consider rental market before purchasing a house</li> <li>- The state has to look into rental affordability</li> </ul>
	5	Housing market <ul style="list-style-type: none"> <li>- Some control on the housing market for YWH</li> <li>- Stricter laws and regulation on purchasing affordable housing</li> </ul>

Source: In-depth interview (2012)

Apart from that, all of the respondents agreed that the financial structure of YWH has to be look into. Creating awareness on financial literacy and efforts to improve financial knowledge among YWH is also suggested. The respondents viewed:

“It will be best if young households work for five to seven years and save money while renting if they cannot afford a house yet.”

Code: RS1

“The government has to tackle and ensure how to regularise their income and educate how to spend and budget their income effectively.”

Code: RS7

The imposition of cross subsidies in the form of quotas and discounts from the government are very much welcomed to assist YWH in housing. Even more, financial institutions should also be look into as well as argued by one of the respondents:

“We have to look into financial institutions as well. Even though they offer housing loan until you are 60 years old, the interest rate is high. And this high interest rate is what burdens the young households the most.”

Code: RS6

The respondents stressed one of the initiatives should be to give a comfortable lifestyle and this can be done through building houses with amenities that will produce a healthy and throbbing community. Apart from that, the problem of YWH as an individual is also agreed by majority of the respondents (5 out of 7 respondents).

“In my opinion, young households who has just started working should arrange their priorities first when they started to earn their own salary. The government can only do so much but the decision is in their hands.”

Code: RS1

“Young households should be equipped with enough knowledge when they want to purchase a house. Failing to do so will lead them into buying a house that they do not like.”

Code: RS4

“Young households should consider rental market before entering the homeownership market. They should rent first. For the young households, rental market has to be there. We should not burden them with just started working and has to pay 30 per cent of income for housing. Even though house prices are increasing; you have to look into your own affordability.”

Code: RS6

“It is difficult when your lifestyle drove you to a point that you cultural needs have overcome your basic needs. This is what happens when with credit cards. Young households spends more than they earn with this invisible money and is in debt where as if they realise that their basic needs are much more important than their cultural needs, this might not happened. However, understanding this has come from them and cannot be taught.”

Code: RS7

None of the respondents, however, argued that house price as a housing affordability problem to address among YWH. However, one of the respondents (Code: RS5) viewed that a further study on providing affordable houses should be done before a policy on affordable housing is enacted. The respondent further explained that lands are valuable and a thorough study should prevent a waste of resources from an unfit housing policy. The respondents also stressed on the intervention from the state are needed. Apart from that, one of the respondents (Code: RS6) further explained that the intervention has to be extensive because at the moment the intervention is just through regulations. The respondent felt that the government must go beyond policy and be responsible and be more serious in this matter. The structure of the state responsible in housing is crucial and is stressed in this context. With YWH not having many choices in the housing

market today, majority (5 out of 7 respondents) of the respondents argued on the need for the government to have some control of the market. The respondent argued:

“Younger working households today have limited choices in houses. They are over-qualified to apply for low cost houses and could not afford to purchase high cost houses. The housing market is not favourable to them and the government does not control the housing market, it is a free market. From the perspective of housing developer when the land has higher potential the market is favourable to build high cost houses and there is a demand for it. Due to this, the government has to step in.”

Code: RS2

This is supported by majority of the respondents (5 out of 7 respondents) where they shared the same point on if the government does not intervene in this matter, no one will. But there is an implication to the housing market if the government is to intervene. One of the respondents addressed the notion as follow:

“There will be implications towards the housing market because if the government subsidised the cost to develop affordable housing, the house prices will move towards a controlled house prices and supply of affordable houses.”

Code: RS7

State intervention is important because without the support of a strong structure, YWH will eventually be known as the homeless generation. All of the respondents agreed that prioritising on what they spend with their monthly income is important. Those interviewed explained,

“From my point of view, when young households have started working, they have to arrange their priorities with their own salary. The government can only

do so much for them but it will eventually be their own decision when it comes to housing. I would recommend in between five to seven years of working, YWH would save money and rent if they could not afford to purchase a house. It is important for them to spend their money wisely and prioritise what is important and from there the issue of purchasing a house will be solved.”

Code: RS1

“The issue with young households is the housing deposit. If they are working in the private sector, their annual bonus will probably help them with the deposit and as for those working in the public sector, the 10% deposit will be difficult to save with their monthly salary but they have an option to use government housing loans. But other costs to enter homeownership are a burden too. And this requires a big amount of money. Today's generation is different because their priorities lie with buying a car first. Because they need to be mobile, it is their challenge in today and because of all this their priorities are not the same with the previous generations.”

Code: RS2

“I would like to highlight the issue on what the government has to tackle and ensure how to regularise their income and the government has to teach how to spend and budget their income effectively. First, you must tell them to save money and sure they have surplus cash and when the government creates this culture, then only the cultural needs will be balanced with the basic needs. They have to be community driven and they need to have the right attitude. If they still have a self-centred attitude, then whatever that is provide for them will be meaningless.”

Code: RS7



Moreover, respondents RS3 and RS4 shared the similar points on limited options for houses in urban areas and YWH should look elsewhere if they want to become homeowners. But, respondent RS4 cautioned YWH to think thoroughly when purchasing a house and to choose a house that is up to what they need. The respondent argued that with lack of knowledge and information on buying a house, YWH will faced even deeper difficulties when they have bought a house that is not to what they are looking for just for the sake of buying a house. Other than that, respondent RS6 believed that the government should provide land for free to build affordable houses. If the responsibility is to borne by the developer and the government is just on the regulation bench, the role of the government is questionable and unfair. If the land is given for free, the concept and idea of an affordable housing hub can be proposed.

However, respondent RS6 felt strongly that the rental market should be the option for YWH:

“What I think now, actually because of housing policy that everybody must own a house. But in reality, young households cannot afford to own house. They should go for rental market. They should rent first. If say you are buying a house, the 20 to 30 years you are paying is double. You have to think about quit rent, maintenance and so forth. So for the young, rental market has to be there. And how to make it more affordable... rental market is a must when they go into the market. We should not burden them. They have just started working and have to pay 30% of their income. Even though house prices are increasing, you have to look into your own affordability.”

Code: RS6

The respondent added:

“Another way is through what the United States call tax credit. Instead of big companies paying tax to the government, they built affordable homes. But it is more to poor households and homeless. So since we have rich people in Malaysia, if they have to build houses out of tax credit, there will be more affordable homes. Today the houses are getting bigger in size. For affordable homes, because if you want to build 850sq ft. to 900 sq. ft. maybe it is too big and not affordable for young households... Maybe we should built 650 sq. ft. and upgrade the finishes and not like low cost houses and then sell it for RM 150,000 or RM 200,000. In terms of housing size is possible to look at.”

Code: RS6

The respondent also sees affordable houses in the long term:

“Another way for long term affordable homes, there should be a system with the government. Say, married young households can buy the 650 sq. ft. and when they start to earn more they can upgrade and sell back to the government. Just like how the Singapore government does it. And these houses should not be in the open market. They should be a control market. If you cannot control the whole market, just control this young households market.”

Code: RS6

From the answers gathered from the interview, recommendations that the state should enact strict laws and regulations to ensure the housing market segment of first time home buyers and some control from the state in this housing market segment (Phang, 2009; Tan, 2012) received positive feedbacks. Those interviewed also agreed that there

is a need to insert financial literacy in the state's mechanism to address the housing affordability problems among YWH.

### **7.7 The role of state: Addressing housing affordability problems among YWH**

Housing is embedded in the fabrics of social and economic needs of all people. Due to this, housing policy proclaimed the goal of providing adequate housing for all (Bryne and Diamond, 2007). Against this, it is important that the role of state is sufficient and is line with the problems of housing affordability among YWH. Therefore, the determining role of state in addressing housing affordability problems among YWH is significant. The state intervention to address this housing affordability problem among YWH is considered in three main categories which are, in terms of housing production, housing exchange and housing consumption. It was revealed that the role of state in this study involved direct subsidies through assisting housing finance and supply of affordable housing as well as initiatives to control ownership and sale of affordable housing through housing schemes.

The findings revealed that the state identified one of the housing affordability problems among YWH is influence by house price. The house price is too expensive for YWH and is reflected due to expensive land price in urban area. In addition, there is less opportunity for YWH to purchase a house in urban area. Apart from that, lack of financial literacy among YWH is due to the upbringing of YWH from well off parents. The well off parents is considered as the first generation of middle income class. This resulted to YWH having basic needs provided to them by their parents such as a shelter and food. Furthermore, YWH has different set of priorities (as perceived by the state) such as purchasing expensive car and spending more of their income in their cultural needs as opposed to basic needs that contributes to having difficulties to afford a house. Even more, YWH lack financial management knowledge in housing that needs serious

attention from the state. Even so, the state perceived such problems can resolve. The state argued that affordable houses are available in the private housing market and it is because of the behaviour of YWH that led to housing affordability problems.

Additionally, there are challenges in addressing housing affordability problems among YWH in the perspective of state. Availability of land is an issue to build affordable housing because majority of land in urban areas are privately owned. Therefore, there are various complications to build affordable housing. One of the complications is that the state has problems to supply affordable housing due to limitation of land. Furthermore, the state has to work with private developers in order to ensure affordable housing supply is met but high cost of compliance with various policies has made it difficult to convince private housing developer to build affordable housing. Private developers have expressed disinterest in building low cost houses and this has made it even more difficult to convince private developers to build affordable housing for YWH. The relationship of proposing private developers to build more affordable houses especially for middle income households with the state has to be in forms of attractive incentives in order to ensure a win-win situation between the state and private developers. Even more, the state also expressed concern on increasing building cost that the state considers a challenge in addressing housing affordability problems among YWH in the context to provide affordable housing.

Although there are challenges in addressing the housing affordability problems among YWH, the state has introduced emerging housing policy and schemes to address the housing affordability problems among YWH. The NHP, PR1MA and MFHS are promising housing policy and schemes to address these housing affordability problems among YWH. In addition, there are new policy and schemes introduced such as affordable housing schemes in Selangor and also plans to introduce housing for young professionals. Moreover, the impending success of PR1MA in providing affordable

housing for eligible applicants has open up opportunities for YWH. Similarly, MFHS has also succeeded in financially assisting YWH in securing housing loans for their first house. Even though, there is no comprehensive intervention from the state in housing for YWH, the structure of NHP is used to derive housing schemes in order to help YWH.

However, there are identified weaknesses of the housing policy and schemes. One of the weaknesses is that the housing policy and schemes lacks initiatives to ensure there is supply of affordable housing that is exclusive for YWH. In the present market, affordable housing is open to all income levels and this competition between YWH and other income households have limit YWH housing opportunities. Attention should be given to this matter as it reflects on YWH losing out on their housing rights as well. Apart from that, there is no concept of affordable housing that exudes positive living environment that is significant in the present affordable housing schemes.

In due course, the state also expressed recommendation to address this problem more effectively. Housing demand has to be addressed by the state in order to address the housing affordability problems among YWH. Even though PR1MA has taken the initiatives to acquire exact housing demand from the national registration for PR1MA houses, there is a need for an affordable housing system. A comprehensive affordable housing system similar to the low cost housing system can assist YWH in housing in long term. This is because ensuring the supply of affordable housing for YWH can ensure YWH are not left out in the housing market and the state's intervention in maximising welfare is achieved. Furthermore, state intervention can be extended in YWH income especially in creating awareness on financial literacy. In addition, it is pertinent for the state to conduct workshops or seminars to improve housing finance knowledge of YWH that will help them to arrange their financial priorities more effectively. Moreover, rental affordability should be considered by the state as an

alternative tenure for YWH before they are able to afford to purchase a house in urban areas. This alternative will help YWH to save money for their dream house deposit. Even more, housing schemes such as Shared Homeownership or Equity Schemes such as in the UK, USA and Australia should be introduced to YWH by the state. This type of housing schemes is suitable for YWH as it allows YWH to purchase a share of the house of choice based on their affordability.

In relation to the identified three main categories for state intervention in housing affordability problems among YWH, the state has taken steps in intervening in housing production and housing exchange. This is seen in initiatives by PR1MA to ensure supply of affordable housing for YWH and also efforts to acquire housing demand through the national registration for application for PR1MA houses. Furthermore, MFHS is a vehicle to assist YWH in securing housing loans and also housing deposit and other housing costs that helps immensely in housing exchange. Other state initiatives are also in line in two main categories.

In line with the first thrust in NHP, PR1MA has commit to build 80,000 affordable housing in major locations in Malaysia. The problem of limited affordable housing supply among YWH is implicitly addressed by PR1MA. However, the role of PR1MA and MFHS is yet to be measured. Moreover, the role of state is absent in housing consumption. The state did not mentioned on direct state intervention in housing consumption to assist YWH in increasing purchasing power. In contrast, the state reasoned that the problem with housing consumption of YWH is due to their spending behaviour.

As previously discussed in Chapter 2, the importance of state intervention in housing exchange is not taken into serious consideration. From the analysis of the findings, another weakness of the emerging housing policy and schemes is also in articulating the

interests of YWH because there is no attempt to change the structure of the markets in order to strengthen the position of the weaker sections. Apart from that, the emerging housing policy and schemes did not address in reducing income inequalities (Kumar, 1989; Ha, 2002). Reducing income inequalities would assist YWH to consume a more equal share of housing resources and reduce housing subsidy from the state. However, reducing income inequalities is subjected to the state giving income assistance to YWH and thus a direct state intervention in housing consumption. Though, income assistance is degrading and may accentuate more problems, it helps to promote faster residual income growth for YWH (Thalmann, 2003; Rappaport, 2008).

In sum, the role of state in addressing housing affordability problems among YWH in this study shows that the state has taken serious actions towards housing production and housing exchange among YWH. This is clearly seen through MFHS and PRIMA that has been promoted to help YWH to own a house. However, the weakness of state intervention is argued in terms of housing consumption of which the state has not addressed. Furthermore, it is important for this study to determine housing affordability problems among YWH as well. The determination of housing affordability problems among YWH depicts the experience of housing affordability problems among YWH. From the discussion of housing affordability problems among YWH, the role of state in intervening in housing consumption can support the arguments of this weakness. This is discussed in the next section.

## **7.8 Housing affordability problems: The experience of YWH**

This study considers identifying housing affordability problems among YWH in two important factors. Firstly, the structural pathways in housing policy and schemes have disappointed YWH because of the difficulties to compete in the open housing market and the gap of affordable housing is yet to be filled by the state. Secondly, the capability

of YWH in doing things and not their intention in doing it is influenced by the formal structure. The dependency of structure and agency in this study demonstrated the outcome of the housing affordability problems.

In line with the framework of this study, it is significant to seek where the respondents are currently living. The findings demonstrated that the respondents are either currently renting, living in family residence (parental homes) or others such as government quarters. The correlation between homeownership status and current residence of respondents led to majority (55%) of the respondents are still living in family residence. Apart from that, 42 percent are currently renting and only 3% are living in other mode of residence. Furthermore, among the 10 local authorities in GKL, majority of YWH age 20 to 29 years old and YWH age 35 to 39 years old lives family residence while majority of YWH age 30 to 34 years old is currently renting. The case of YWH age between 35 and 39 years old who are majority currently living in family residence are seen as a minority case in this study. Due to this, the major focus is on YWH age 20 to 29 years old as they are considered as the critical groups of YWH that are facing housing affordability problems.

The findings revealed that YWH who are between 20 to 24 years old can afford cluster houses, low cost flat and flat in KL. As for houses in Selangor, they could only afford low cost house, low cost flat and flats while in Putrajaya their only house choice is low cost flat. As for respondents who are in age group between 25 to 29 years old, they can only afford cluster houses, low cost houses, low cost flat and flats in KL. Additionally in Selangor, these respondents can afford the same type of houses in KL and a single storey terrace house. However in Putrajaya, these respondents can only afford low cost flat. Similarly, respondents in age group between 30 to 34 years old and age group 35 to 39 years old can also afford the same types of houses as those respondents who are in age group between 25 to 29 years old with addition of condominium and apartment in



Selangor. Due to the socioeconomic status of YWH, low cost houses and flat are considered not their housing choice (see Fu *et al.*, 2000; Tu *et al.*, 2005; Kiel and Zabel, 2008). Even more, they are not eligible for low cost houses. Therefore, the only house that they can afford are single storey terrace house, condominium/apartment and cluster house. Conversely, with housing supply concentrated on stratified houses such as condominium, apartment and SOHO (Small Office Home Office), only YWH between ages of 30 to 39 years old can afford to purchase a house. This ascertained Matlack and Vigdor (2008) arguments that income increases at the high end of the distribution and can raise house prices paid by those at the low end of the income distribution.

Above all, housing affordability problems among YWH is attributed to house price, household income and housing choice in the housing market. It is emphasise that housing choice refers to the choice of affordable housing in the housing market. This study argues that the affordable housing price is between RM 120,470 and RM 237,612. Thus, this indication shows the affordable housing price among YWH. The key findings of this study suggest that there is indeed a gap in affordable housing for YWH in the housing market. The findings demonstrated that the supply of the identified affordable housing for YWH is limited and further decrease the opportunity of YWH to purchase a house. Furthermore, the justification of majority YWH is able to live and work in the same local authority is due to they have not left their parental homes in GKL. Undoubtedly, this indicates the severe problem of housing affordability to 'leave the nest' (Stutz and Kartman, 1982).

From the perceptions of YWH on housing affordability problems, the analysis indicates that house price contributes to the housing affordability problems among YWH. Firstly, YWH perceived house piece as expensive for them to purchase and this is in accordance to their household income as similarly argued by Wilcox (2007). Secondly, as Ayuso and Restoy (2006) discussed, YWH are aware of overvaluation as a contribution

towards this house price problem. Moreover, due to attract foreign investors private developers are focusing more on building high cost housing (Tan, 2011). Thus, this limits the housing purchasing power of YWH as well as creating a bigger affordable housing gap in the housing market. The perception of YWH is in line with Lee (2009) on the volatility of house prices is what made it difficult for them to purchase a house in the housing market.

In relation to the housing affordability problem of house price, household income also plays a role in purchasing a house. Due to this, household income is also considered as a housing affordability problem among YWH. The findings demonstrated that household income does influence housing affordability problems. Based on the data analysis result of Mann-Whitney U test, there are significant differences in perceptions of household income in terms of occupation between respondents who are self-employed and private sector and gross monthly salary between respondents who earn RM 2,001 to RM 3,000 and respondents who earn RM 8,001 to RM 9,000. The data analysis results of the Mann-Whitney U test also revealed that there is a difference in perceptions on household income that is significant between respondents who earn RM 2,001 to RM 3,000 and respondents who earn RM 8,001 to RM 9,000 [ $p < .05$ ]. The mean value of respondents who earn RM 2,001 to RM 3,000 (64.37) transcend respondents who earn RM 8,001 to RM 9,000 (9.50) that shows respondents who earn RM 2,001 to RM 3,000 in the population of this study experienced more problems in housing affordability.

The findings suggest that even though YWH agreed with spending 30% of their household income for housing, there are other issues in household income that made it difficult for them to purchase a house. One of the issues is housing deposit as discussed by Wan *et al.* (2010) and Bajari *et al.* (2005). With the respondents' current household income, it is a challenge for them to save enough money for the 10% housing deposit. Furthermore, they have other income commitments that potentially displace their

household income for housing. The findings also revealed that YWH agreed on an alternative to rent if the rental rate consumes less than 25% of their income as recommended by Baker and Beer (2007).

Similarly, the persistent housing affordability problem is focus on the accessibility restriction of potential homeowners in the private housing market (Wilcox, 2003; Mak *et al.*, 2007). YWH generally perceived house price in the private housing market are not affordable and this is due to income of a university graduate who works in an urban area is not enough to afford a house in the private housing market. This shows that YWH has difficulty in terms of income for housing because they are considered to be at the lower tail of the income distribution as argued by Bajari *et al.* (2005) and Matlack and Vigdor (2008). Furthermore, this supports Bramley's (2012) claim that the housing affordability problems are more common among YWH due to lower incomes and limited asset accumulation. Additionally, housing choice is highlighted as one of the housing affordability problems due to limited supply of affordable housing in the housing market. Moreover, household income is perceived to be insufficient for housing costs and non-housing consumptions in urban areas. Furthermore, YWH claimed that their household income is not enough to secure housing loans thus they face difficulties to access housing finance.

However, there is evidence of affordable housing supply in the private housing market (Wan *et al.*, 2010). Due to increasing land prices, affordable houses are located outside of urban areas that will require YWH to purchase own transportation to commute to their work place. The housing supply of affordable houses only considers house price and type of house. The location factor is important for a house as argued by Kiel and Zabel (2008). Due to this, even though there are affordable houses in the private housing market, the location of the houses has restricted access to transportation options. Moreover, Thalmann (2003) argued that if income minus the cost of standard

housing consumption is no less than standard non-housing expenditure or if the cost of standard housing consumption does not exceed a given share of income then they are housing affordability problems. It is perceived that with a higher income, YWH would be ready to purchase a house.

Furthermore, YWH listed four main causes of housing affordability problems, which are, house price, housing supply, household income and financial literacy. The perceptions that house price is expensive and unaffordable has caused housing affordability problems among YWH. Even more, limited affordable housing supply in urban area is perceived to have caused the housing affordability problems among YWH due to limited access to housing choices in the housing market. Additionally, insufficient household income to support housing costs led to limited capability to purchase a house in urban area. This is due to lack of awareness on financial literacy among YWH that is crucial as most of them live a privilege life and are not able to sustain themselves due to their low income and dependency on their parents. Furthermore, lack of knowledge in housing finance management has caused YWH to miss out on housing opportunities in the housing market.

Based on the Spearman correlation test, there is a moderate relationship that is significant between housing policy and housing affordability in the housing affordability problems among YWH ( $r = .538$ ,  $p < .05$ ). The positive relationship shows that among YWH, relatively, YWH who has housing affordability problems in terms of housing policy have problems in housing affordability as well. This shows that housing affordability among YWH is relatively influence by housing policy and schemes. In this study, the Spearman correlation test demonstrated that the weakness of housing policy and schemes leads to housing affordability problems.

Even more, it is argued that YWH are not aware of the introduction of NHP and housing schemes such as PR1MA and MFHS. Lack of awareness of NHP, PR1MA and MFHS has led to YWH missing out on opportunities to received assistance in purchasing their first house. Moreover, YWH perceived that the absence of state control housing market attributes to the problem. In line with Phang (2009) who argued that a controlled housing market by the state is important in ensure households are able to purchase a house. This also supports YWH seeking similar state policy strategy on low income households to be imposed to YWH (Baker and Beer, 2007).

The problems in housing policy and schemes as perceived by YWH are on three matters, housing demand, finance and no control in house price in housing market for medium cost houses. MFHS is introduced to assist targeted groups including YWH to secure housing loans and also cover housing costs such as stamp duty and also the 10 percent housing deposit. Furthermore, YWH emphasise on difficulty to purchase sub-sale housing units due to problems in securing housing loans. In addition, the type of residential property that is eligible for the scheme is based on the participating banks underwriting policy. Due to this, state intervention in MFHS only offers the resources but the control to approve the application for this scheme is subjected to the participating banks. Therefore, there is still limited state intervention in assisting housing finance for YWH. Additionally, housing demand is currently monitored by PR1MA in order to ensure supply of affordable housing. Similarly, PR1MA also lacks awareness among YWH despite launching, workshops and seminars held by them. Furthermore, housing policy and scheme lack control in the housing market in terms of price, ownership and sale of perceived affordable housing for YWH. This initiative to control house price, ownership and sale is currently focused on low cost.

## **7.9 The need for state intervention in this housing affordability problem**

In relation to housing affordability, the role of state and intervention are primarily in providing affordable housing for the targeted households' group. There are two alternative options for state intervention. Firstly, the state intervene by allocating housing specifically to households who are unable to provide themselves in the housing market and secondly, by intervening in the functioning market in order to ensure the market will fulfil the housing needs of households (Bengtsson, 2000). According to Lundviqst (1986), housing policy in state intervention are either a supplementary of housing policy whereby the intervention is towards meeting particular needs and solving specific problems in a functioning housing market or a comprehensive mode that does not confined to regulating, supplementing or restraining the open market but channels the flow of the national resources in the housing sector that will maximise welfare and the state can exercise significant control over volume, timing and location of house for all income levels.

The implementation of NHP, MFHS and PR1MA have reached satisfactory outcome in many ways. Firstly, the implementation of MFHS has given financial opportunities for YWH to purchase a house in terms of initial purchase and transaction costs. Though, MFHS lacks awareness. This lack of promotion led to problems of transparency in application, efficiency of the application process and delivering the promise of assisting YWH with securing housing loan and discount transaction costs. Moreover, the implementation of NHP and PR1MA is to ensure affordable housing supply in the market. The findings demonstrated that affordable housing supply is considered low in GKL despite subsidies and incentives given by the state. Even though the type of house match the affordability of YWH (based on NAPIC, 2012), the range of house price offered by the scheme does not match. The findings indicated that YWH age between 20 to 29 years old are more critical in the housing affordability problem and cannot

afford houses that reach RM 400,000 where as for YWH age between 30 to 39 years old who cannot afford a house has a problem of managing their finance. It is argued that financial literacy should be considered in housing policy and schemes.

However, in respect to the role of state to fulfil in three main categories of housing production, housing exchange and housing consumption pose weakness especially in housing consumption. As the housing affordability problems among YWH determined in this study is influenced by house price, household income and housing choice in the housing market, it shows that the weakness of the state intervention is subjected to addressing the problems in terms of housing consumption. The purchasing power of YWH is limited as argued in this study and therefore, the state has to address this matter. There are also weaknesses in housing production and housing exchange even though it has been address by the state. Land is an issue to supply affordable housing for YWH and the state has to be more serious in acquiring and planning land banks for the purpose of affordable housing. There should be a creation of public-private land bank or by pre-investing in future urban expansion.

Furthermore, housing exchange in the aspect of homeownership has been addressed through providing financial 'back up' from the state but is subjected to approval of participating banks rather than applications through state agencies. Even more, from the findings, YWH are not fully aware of available housing schemes such as PR1MA and MFHS. This warrants better promotion from housing schemes promoters. Additionally, the focus on homeownership has overshadows rental affordability. In the NHP, the state stated to improve ability of people to rent as well (in Thrust 4, p. 88). Burke (2007) has argued that rental is the tenure of the future and more policy attention should be given in this sector with elements of ownership such as security, tenants' needs and long term affordability without undermining new adequate housing stock. Boehm and Schlottmann (1999) shared similar view and suggested that more work needs to be

undertaken in order to make informed choices about the extent to which housing consumption should be subsidised and the emphasis on ownership relative to rental tenure. This alternative approach will enable YWH to have residual income to save to purchase a house in the future.

Furthermore, it is argued housing policy and schemes should include improving financial literacy especially in housing. This recommendation to improve financial knowledge among YWH will assist YWH in housing consumption and increase housing purchasing power. The inclusion of financial literacy as part of housing policy is much better than extending credits for housing that will incur additional problems (Berdenoord and Verkoren, 2010).

Above all, in addressing the housing affordability problems among YWH, it is recommended that the state should introduced new housing initiatives that will assists YWH to have better opportunities in purchasing a house. Additionally, shared homeownership or equity schemes similar in the UK, USA and Australia should be used as examples go be introduce by the state especially for YWH. These suggestions are significant to study further to ensure YWH are able to purchase a house eventually. Indeed, the state has taken more serious actions in this problem. However, identified weakness in this study will help expand the actions taken by the state.

Firstly, this study recommends the state to establish an affordable housing system. This affordable housing system should include attractive incentives for housing developers to develop affordable houses as well as a mechanism to control the inflation rate between house price and household income. This will ensure the state intervention is in a holistic approach and will garner a favourable housing affordability outcome. In addition, housing choice relative to socio-economic background is a factor not to be overlooked. This aspect can be embedded in the concept of affordable housing system.



Secondly, this study suggest the state to introduce more housing schemes. In parallel to the recommendation of the affordable housing system, new housing schemes that is attractive to YWH will assist in reducing housing affordability problems. Based on this study, the concept of shared ownership schemes will help YWH in accelerating homeownership. From the findings, the income trend is increasing with age and is possibly due to increasing work experience as well as climbing the career ladder. With this, the concept of shared ownership schemes matches the findings whereby they can purchase their house in tandem with the increment of their income.

Furthermore, in the first policy statement of the first thrust in the NHP stated that the role of state will be enhanced to ensure private sector to provide affordable housing for sale and for rent. It was emphasised again in the fourth thrust of the NHP that the state will improve the ability of the people to own as well as rent. In this sense, it is important for the state to look into the aspects of rental affordability in housing schemes for YWH as well. Even more, increasing house price will effect rental rates thus to reduce housing affordability problems among YWH, it is vital to look into the aspects of rental affordability.

Lastly, the study suggest that is it the role of the state to improve financial literacy. From the literature, it has been suggested to include the awareness of financial literacy in housing policy. This is important especially for YWH who has been perceived by the state to have little financial knowledge that leads to poor spending behaviour. It is the role of the state to ensure awareness on financial literacy is important especially in housing as it is highly related with financing. Moreover, reviewing required income for housing for this subset of middle income household is crucial. The rule of thumb of 30% of income is for housing might need to be reconsidered as inflation is increasing

especially with the introduction of Goods Service Tax (GST) in 2015. Therefore, improving financial knowledge is important to increasing the purchasing power of YWH.

The complexity of the housing affordability problems can be reduce thru this suggestions. Although eradication of the problems are near impossible, there are still ways for the state to intervene in order to ensure the rights of YWH are enjoyed by them. It is with this suitable housing policy outcomes that the housing affordability problems among YWH can be addressed.

#### **7.10 Summary**

The majority of the state representatives recognised that house prices are unaffordable for YWH. Even more, there are limited housing choices for YWH to purchase in the housing market. Although, the findings revealed that there is no reluctance from the state representatives to build affordable houses in contrast to the inclination of private housing developers to build high cost houses (Tan, 2012). However, there were also views on the absence of financial literacy among YWH that led to the housing affordability problems. In addition, the reluctance of YWH to purchase available affordable houses and their spending behaviour are among the housing affordability problems.

State involvement through housing policy and housing schemes imposed on the private sector has been relatively limited. It has been implied that the state involvement in affordable housing for middle income group itself has been relatively limited as well. Declining household income, increasing house prices, expensive land prices, increasing building cost and other factors affect supply of house in the private housing market are outside the realms of the state. In this context, it is instructive for the state to consider a more authoritative approach. Arguably, attempts to extend this approach by considering

alternative tenure for YWH such as rental and additions of housing schemes that will benefit YWH would witness better outcomes in achieving the goal of the NHP.

In sum, the findings revealed that the main problem faced by YWH is limited supply of affordable housing in the market. This is attributed to key problems of house price, household income and housing choice in the housing market faced by YWH. Even more, the perceived affordable housing in the market is open to all income groups which suggest that YWH has to compete with other income groups in the open market for homeownership. The state has to a certain degree intervened in the market by introducing NHP, MFHS and PR1MA to assist in housing affordability problems among YWH. However, the role of PR1MA and MFHS is yet to be measured. Moreover, this intervention is viewed as insufficient. This is because the state has only intervened in housing production and housing exchange but there is less intervention in housing consumption. It is important for the state to intervene in housing consumption as the housing affordability problems among YWH encompass decreasing purchasing power capability in the housing market. Furthermore, it is also recommended that state should perhaps consider properties to be rented that are affordable to YWH.

However, caution should be taken by the state to not impose similar layout of low cost rental housing for YWH due to the socio-economic status of middle income households. Additionally, the savings made in their (YWH) household income can increase the number of homeownership amongst YWH as they are residual income that they can save to purchase a house.

## **CHAPTER 8**

### **CONCLUSION**

#### **8.1 Introduction**

The purpose of this chapter is to summarise the analysis findings of this study. This chapter aims to discuss the answer of the four research questions as outlined in Chapter 1. The focus of this chapter is to examine the housing affordability problems among YWH in order to address the policy implications of these problems. Moreover, this chapter also deliberate on how the state can address these housing affordability problems.

The chapter begins with an overview of the key findings followed by the discussion on what are the housing affordability problems among YWH in an urban area, what are the emerging policy and schemes to address the housing affordability problems, to what extent should the state intervene in providing affordable housing for YWH in an urban area and how can the state address these problems in housing policy and schemes. Subsequently, this is followed by a summary of the findings, contributions of this study and future direction for research.

## 8.2 Overview of key findings

The housing affordability problems among YWH are influenced by house price, household income and housing choice in the housing market. This study argues that the affordable housing price is between RM 120,470 and RM 237,612 for YWH. The key findings of this study suggest that there is indeed a gap in affordable housing for YWH in the housing market. The findings demonstrated that the supply of the identified affordable housing for YWH is limited and further decrease the opportunity of YWH to purchase a house. Furthermore, the justification of majority YWH is able to live and work in the same local authority is due to they have not left their family residence in GKL.

Additionally, there is a relationship between house price and household income ( $r = .60$ ,  $p < .05$ ), there is a relationship between household income and housing choice ( $r = .343$ ,  $p < .05$ ) and there is a relationship between housing choice and house price ( $r = .307$ ,  $p < .05$ ). The analysis and discussion of findings indicated that the housing affordability problems are house price, household income and housing choice which are separate problems but are interrelated. Moreover, there is also a relationship between housing policy and schemes and housing affordability ( $r = .538$ ,  $p < .05$ ). This shows that housing affordability among YWH is relatively influenced by housing policy and schemes.

The housing affordability problems experienced by YWH determined that there is a need for continuing and substantial initiative by the state in executing the policy designed for affordable housing. In this context, affordable housing for YWH has not been achieved with just promises by the state to encourage private sector to develop affordable housing. State involvement through housing policy and housing schemes imposed on the private sector has been relatively limited. It has been implied that the

state involvement in affordable housing for middle income household itself has been relatively limited as well. However, there were also views on the absence of financial literacy among YWH that led to the housing affordability problems. In addition, the reluctance of YWH to purchase available affordable houses outside GKL and their spending behaviour are perceived among the housing affordability problems. In the next sections, the findings to answer the research questions in this study are explained.

### **8.3 What are the housing affordability problems among younger working households generally, and the factors contributing to the problems?**

The persistent housing affordability problems among YWH is emphasised when there is a restriction to access private housing market. Housing affordability problems among YWH is further indicated when there is a restriction to access the housing market. As previously discussed, the housing affordability is often based on the theoretically 30% of household income. When the monthly mortgage payment is calculated based on the data from the questionnaire survey, it is matched with the house price of various types of houses in Greater KL. These findings demonstrated that there is indeed a gap in affordable housing in the housing market. The supply of the identified affordable housing for YWH is limited and further decrease the opportunity of YWH to purchase a house. Furthermore, the justification of majority YWH is able to live and work in the same local authority is due to they have not left their family residence in GKL. Undoubtedly, this indicates the severe problem of housing affordability among YWH to 'leave the nest'. Thus, the identified housing affordability problems among YWH are three separated problems which are house price, household income and housing choice.

Additionally, the perceptions of housing affordability problems among YWH have significant differences between occupation, gross monthly income and current residence. Among the three identified housing affordability problems, YWH has no significant difference in perceptions on the house price as a housing affordability problem. However, there is significant difference in perceptions on household income between gross monthly income and occupation of YWH. The findings revealed that YWH who earns RM 2,001 – RM 3,000 monthly experienced more problems in terms of household income as compared to YWH earning RM 7,001 – RM 8,000. Apart from that, YWH who works in the private sector also experienced more housing affordability problems in terms of household income as compared to YWH who are self-employed. There are also significant difference of perceptions on housing choices between occupation and gross monthly salary that is similar to the perceptions on household income.

In addition, there is also a significant difference of perceptions on housing choice between YWH who are renting and YWH who lives with family. YWH who are renting experienced more housing affordability problems in terms of housing choice as compared to YWH who lives with family. Therefore, the degree of the housing affordability problems in this study shows evidence of the need for state intervention especially in this group of YWH who are salaried workers and are at the lower end of the income distribution. Even more, YWH who are renting are facing more housing affordability problems as compared to YWH who lives with family. This is attributed to the upbringing of first generation of middle income households who are considered as well off as compared to the second generation of middle income households.

Overall, the housing affordability problems among YWH in this study are attributed to house price, household income and housing choice. However, these three separated problems are interrelated. The positive relationship between house price and household income relatively shows YWH who has affordability problems in terms of house price will have problems in household income as well. Similarly, there is also a positive relationship between household income and housing choice and also between housing choice and house price. The relationship between household income and housing choice and between housing choice and house price are weak. Even though the relationship is not as strong as the relationship between house price and household income, there is still a relationship that shows problems in household income affects housing choice and problems in house price influence housing choice. The housing affordability problems are confirmed based on the qualitative analysis that shows similar findings. This clearly indicates that the housing affordability problems among YWH are separated but interrelated. Therefore, it is important for the state to recognise this problem.

However, the state only recognise house price as a housing affordability problems that is similar with the perceptions of YWH. The state added that financial literacy is a contributing problem to the housing affordability among YWH. This is due to one important reason. Firstly, there is an influence of the background of parents in which, in this study it is perceived that the upbringing of YWH is from the first generation of middle income household who has led a privilege and comfortable lifestyle. This influence is prominent as these parents are able to provide financial help to YWH that caused YWH to fail prioritise their monthly salary for housing.

In sum, the mismatched of identification between the perception of housing affordability problems among YWH and the state has caused friction towards addressing these problems. Above all, these problems of interrelation between house price, household income and housing choice have led to one conclusive argument which



is the gap of affordable housing in the housing market. Furthermore, the exclusion of YWH in state's aid has made the situation worse and affordable housing in the market is open to all income groups. It is argued that it defeats the purpose of supplying affordable housing in the open housing market if it is not regulated especially when property investor and speculators can purchase the affordable housing that are meant for YWH.

#### **8.4 What are the emerging housing policy and schemes to address these housing affordability problems among YWH?**

With previous emphasis on low income households, the NHP has included a focus on assisting middle income households in housing affordability problems. Apart from that, the state has introduced PR1MA and MFHS to address housing affordability problems. NHP, PR1MA and MFHS aims to ensure every household enjoy their housing right. However, YWH perceived that these housing policy and schemes has failed to address these problems. From the data analysis, there is a significant difference in perception on housing policy and schemes between gross monthly income and current residence. Ironically, the findings revealed that YWH who earns RM 2,001 – RM 3,000 experienced more problems in terms of housing policy and schemes. Moreover, there is a significant difference in perceptions between YWH who are renting and YWH who lives with family whereby, YWH who are renting experience more problems as compared to YWH who lives with family. Therefore, in this perspective, the perceptions of YWH on housing policy and schemes do not help effectively. Even more, YWH who are renting are considered as experiencing additional housing affordability problems.

Furthermore, it argued that the housing policy and schemes has not address the housing demand in the housing market. This is important to monitor inflation rate between house price and household income especially for YWH. Even more, there is no quota of affordable housing for YWH similarly to quota of low cost housing. Additionally, the state has address difficulties to secure housing loans among YWH but, there are still problems especially to purchase sub-sale housing units.

The empirical evidence shows clearly that the intervention of the state in this sense is only in terms of words of encouragement with no incentives as indicated in the NHP. PR1MA has addressed the housing affordability problems among YWH in terms of supplying affordable housing but has no guarantee. This is because PR1MA has no land and has to rely heavily on the state to provide funding and land. The challenge to provide affordable housing for YWH is primarily concern with limitation of land to build affordable housing. Moreover, the majority of land in urban area is privately own and the state has no control except in restricting housing supply in planning approval. Apart from that, there is a high cost of compliance with various policies to develop a land that cause difficulties to build affordable housing. There is also concern on increasing building cost that the state has not address and contributes to the challenge to supply affordable housing. MFHS, however, has assist YWH to secure housing loans but not in supplying affordable housing.

In sum, housing policy and schemes in this study underlined two main points of the insufficiency to address housing affordability problems. Firstly, there is inadequate supply of affordable housing in the housing market. Secondly, the housing policy and schemes did not address the identified housing affordability problems among YWH in terms of house price, household income and housing choice. Hence, the emerging housing policy and schemes are considered as insufficient to address housing affordability problems.

### **8.5 To what extent should the state intervene in addressing the housing affordability problems among younger working households?**

It is important to recognise that the focus will be more towards the social aspects of YWH and also the perceptions to achieve home ownership status in an urban area. It is then argued that the problem of housing affordability among YWH is within the scope of housing policy and schemes. This demonstrated the need for the state to intervene in providing affordable housing, particularly for YWH. It is also discussed that assumption of a failure in a segment of the housing market garnered towards the state to play its role in maximising housing welfare of YWH.

Against this background, there is a need for the state to intervene in addressing this housing affordability problem among YWH. This study theorise that it is the state's duty to ensure housing rights are enjoyed by all citizens. When there is a housing affordability problem, it is the responsibility of the state to intervene into the fail segmented market. Housing policy is one of the mechanisms used by the state to intervene in the market. The objective of housing policy is to ensure every individual has adequate housing. Housing schemes are usually derived to complement the housing policy and assist in achieving the policy aims. In relation to housing affordability, the role of state and intervention are primarily in providing affordable housing for the targeted households' group.

Above all, the structural pathway that attributes to the housing affordability problems among YWH and due to the dependency of the structure and agency, the state should intervene in ensuring YWH has the opportunity to purchase a house in the housing market. This study argued the extent of state intervention in this housing affordability problem among YWH should be in the scope of housing policy and schemes.

Additionally, it is ideal if the state formulates a comprehensive housing policy and schemes that does not confined only on regulating, supplementing and restraining the housing supply in the housing market but also provide national resources such as land to develop affordable housing that will give the state control in the housing market. Furthermore, it is also significant for the state to intervene in the functioning housing market to ensure housing needs are fulfil such in the case of YWH where there is a gap of affordable housing. The significance of this state intervention should not only to ensure supply of affordable housing in the market but also to regulate and restrict affordable housing for YWH as they are not able to provide for themselves.

#### **8.6 How can the state address these problems: Policy implications and recommendations**

The state has to a certain degree intervene in the market by introducing National Housing Policy (NHP), My First Home Scheme (MFHS) and 1Malaysia People Housing Scheme (PR1MA) to provide housing assistance for YWH to purchase a house. Even so, the implementation outcome of NHP, MFHS and PR1MA has yet to be measured. However, the implementation initiative of MFHS has given financial opportunities for YWH to purchase a house in terms of initial purchase and transaction costs. Though, MFHS lacks awareness in promoting the schemes to YWH.

From the perceptions of the state, there are problems in ensuring supply of affordable housing in the market. One of the problems is in land prices and the availability of land to build affordable housing. Moreover, land in urban area are mostly private owned and the state has no imminent jurisdiction towards the land. Furthermore, efforts made by the state to encourage housing developers to build affordable housing is turned down due to the high cost of compliance with various policies. Additionally, increasing building cost and the absent of attractive incentives to develop affordable housing has

discourage housing developers to build affordable housing. The aforementioned problems are seen as critical problems that the state can address effectively.

Recommendations to overcome problems in supplying affordable housing from the findings in the context of housing policy include addressing the problems in housing market and household income. In line with the housing affordability problems, state responds through mechanisms such as law and policies to ensure the welfare of the society is maximised. Affordability has become a more important issue in housing policy, with key examples of its role in social housing rent and subsidy issues, housing benefits or allowances systems and mortgage regulation as well as in the planning of new housing supply of all kinds. The provision of affordable housing is cater the housing need for “sandwich class” which cannot afford either the down payments and are not eligible for public renting housing because of the pre-determined financial criterion.

It is important for the state to observe the activities of the free housing market. This study recommends the state to address the housing market in terms of identifying housing demand and controlling the inflation rate between house price and household income. This is possible through an affordable housing system with affordable housing quota for eligible YWH. Such housing policy and schemes is already introduced but it lacks control and proper monitoring in the housing market. Furthermore, the state should also consider observing the profile of YWH who are in need of affordable housing. There should also be a system in affordable housing schemes where it will be a long term plan. This income cycle of YWH should be identified in order to impose a policy for affordable housing for YWH. Conceivably, this segment of the housing market should be recognised to be unique and necessary and the holistic approach of this case has to be taken seriously.

Moreover, the housing affordability problems of household income and relations to housing finance can be addressed further from the scope of the MFHS. Among the recommendations are creating awareness on housing finance literacy and reviewing household income for housing. Improving financial knowledge of YWH should begin at an early stage of education level. Even more, financial literacy should be considered to be included in housing policy and schemes. In addition, as times are changing, the state should also look into rental affordability in the housing market. This alternative approach to ensure YWH can purchase a house should first consider the rental market. Similarly, state has intervened through providing public rental housing for low income household. It is possible for the state to replicate the public rental housing system to accommodate YWH.

Without the government's intervention in this problem through housing policy and schemes, most of YWH could not enter homeownership in the free housing market. As efforts from YWH and the government are necessary, the role of state has to be in place as the structure that governs the needs of households. The trust given to the structure shows that this identified problems will implicate the housing policy. The ineffectiveness of housing policy to cater for affordable housing brings negative implications as well.

Even though housing is a shared responsibility, the way to control the housing market inclined towards the role of the state. Perhaps the free housing market from the financial liberalisation is not effective for YWH. The solution of introducing housing schemes is welcome but more innovative housing schemes that consider the actual need of YWH should be introduced. Encouragement from the government as enlisted in NHP is not enough and a more comprehensive and serious change is vital in ensuring the housing affordability problems by YWH is addressed effectively.

In sum, a more comprehensive housing policy and schemes should be introduced by the state such as the shared ownership or equity schemes in the UK that is suitable to cater the housing needs of YWH. With YWH at the lower end of the income distribution, this scheme will enable YWH to grow their housing needs in line with their income. Above all, YWH will have the opportunity to purchase a house with a share that is affordable to them and purchase more shares of the house when their income increases. The state can also introduced a provision for such housing scheme where the private housing developer will also benefit in sustaining the affordable housing price. Furthermore, the state can opt to intervene in the housing market in terms of supplementary housing policy and let YWH own a house at their own capability through purchasing shares of the house. However, more studies have to be conducted to ensure suitability and effectiveness of the scheme in the Malaysian context.

## **8.7 Conclusion**

It is argued that the structural pathways in housing policy and schemes have disappointed YWH because of the difficulties to compete in the open housing market. Additionally, there is a gap in affordable housing that has yet to be filled by the state. The findings in this study supported this argument whereby there is a gap in affordable housing for YWH in urban area. From the data analysis, it demonstrated that the perceived gross income range for YWH is between RM 2,001- RM 4,000 monthly. The gross monthly income is within the middle income range as determined by Wan *et al.* (2010) and also the NHP. The gross monthly income of YWH clearly indicates that they are embedded in the middle income households and therefore faced housing affordability problems similar to the middle income households. However, it is determined that YWH are considered as the second generation of middle income households. Where the low income households have low cost housing, YWH have set their sights on affordable housing and unfortunately the housing market has yet to fulfil.

YWH are also affected by housing price speculation where there are entail at the lower end of the distribution. YWH has to compete in the open housing market to purchase affordable housing because the state has not addressed this problem effectively.

Furthermore, this study argues that the capability of YWH in doing things and not their intentions in doing it is influenced by the formal structure. This can be seen from the findings that the limited choice of affordable housing in the housing market has influenced the capability of YWH in purchasing a house. Even more, based on this influenced capability of YWH has included low cost houses as part of available affordable housing choice in the market. Arguably, YWH who are a member of middle income household form the majority of Malaysians and are neglected by the state. YWH are salaried workers and depends on their monthly salary to cover living costs without aid from the state. This has led YWH to feel disconnect with the state and their socio-economic wellbeing is seriously undermined by the housing market with the state unable to redress the problem. In addition, due to the socio-economic status of YWH, low cost houses are not preferred by them.

## **8.8 Contributions of research**

Generally, this study has contributed towards examining research studies in this area of housing affordability problems among YWH who are considered to be in the subset of MIH. Previously, there are only several research studies (Wilcox, 2007, Wan *et al.*, 2010, Norazmawati, 2012) who have studied an explored the housing affordability problem in varying research scope. This research contributes to extend the body of knowledge on housing affordability problems among YWH by conceptualising the housing affordability problems and recommendations to address the housing affordability problems. This has also closed the gap of literature on housing affordability problems among YWH in urban area. The identified housing affordability



problems can be referred to formulate housing policy and schemes. The contribution of identifying housing problems among YWH will be beneficial towards not only policy makers but also private housing developers in building affordable housing for YWH.

Additionally, this study contributed to theoretical framework in terms of the theories used to identify the housing affordability problems among YWH. Theoretically, it can be applied to study in-depth of these problems or other related housing problems. Furthermore, this study highlighted on the affordable housing gap that has yet to be fulfilled by the housing market for YWH. This study also emphasised on the need for innovative housing schemes such as shared homeownership schemes that will benefit key actors in housing and YWH. Apart from that, the state should also consider focusing on rental affordability in housing policy and schemes especially for YWH.

Moreover, this study contributes in recommending approaches to address the housing affordability problems among YWH. This study revealed that the present role of the state is insufficient in addressing the housing affordability problems. The state has to be more serious in closing the gap of affordable housing in the housing market for YWH. From the recommendation of this study, the state should play a larger role in formulating housing policy and schemes to the needs of YWH. For example, the introduction of shared ownership schemes from countries such as UK, USA and Australia can be implemented for YWH in Malaysia. This is supported by the empirical evidence that household income of YWH increasing with age and will allow them to own a house at their own financial capability. Through this identified weakness of the housing policy and schemes and recommendation to address the housing affordability problems among YWH, it sets as a reference for all representatives of the state and also other key players in affordable housing in formulating housing policy and schemes in order to provide affordable housing for YWH.

## **8.9 Future directions for research**

The scope of the research can be broader with relation to housing affordability level, affordable housing and other related housing problems. One of the future research studies that can be explored is in terms of in-depth financial perspectives of the housing affordability problem. The future research in terms of financial perspective will help to suggest a framework for the financial literacy that is recommended to be included in housing policy and schemes. Additionally, a research in the perspective of affordable housing supply is also important. The response on supplying affordable housing from the perspective of all housing developers will help to show the relativeness and extensiveness to assist in affordable housing. Evidently, the problems of housing supply can also be related to this research and can help towards framing the suggestions to overcome these housing affordability problems. Even more, the structure of innovative and attractive housing schemes for YWH can be further research such as the shared homeownership schemes.

Furthermore, a further research in rental affordability among YWH will be beneficial to policy makers. In addition, a thorough research on formulating an affordable housing system will be an advantage based on the identified problems among YWH in this study. This research will involve studying viability of this recommendation, framework of the affordable housing system and also the implications towards the Malaysian housing market. This will involve measuring to what extent should state incentives allocated to close the gap of affordable housing. The result of this research will further justify whether focus towards an affordable housing system will bring positive impacts towards the growth of the housing sector.

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**APPENDIX A**  
**QUESTIONNAIRE SURVEY**



**Questionnaire**

**Housing affordability problems among younger working households in urban area**

I am currently pursuing PhD in Housing Studies at Faculty of Built Environment, University of Malaya. The main aim of this study is to examine housing affordability problems among YWH in order to address the policy implications of these problems. The research questions are as below:

1. What are the housing affordability problems among YWH?
2. What are the emerging housing policy and schemes to address housing affordability problems among YWH?
3. To what extent should the state intervene in addressing this problem?
4. How can the state address this problem in housing policy and schemes?

All the information is strictly for the purpose of this research study only and complete anonymity is respected.

Your kind co-operation is highly appreciated.

Name\*:

Address\*:

Phone number\*:

(\*) Optional

Zafirah Al Sadat Zyed  
BHA100014  
0192622449

**Part A: Respondent's profile****Please tick one √ (unless stated)**

1. Which category below includes your age?
- |                                |                                |
|--------------------------------|--------------------------------|
| <input type="checkbox"/> 20-24 | <input type="checkbox"/> 30-34 |
| <input type="checkbox"/> 25-29 | <input type="checkbox"/> 35-39 |
2. Gender:
- |                                 |                               |
|---------------------------------|-------------------------------|
| <input type="checkbox"/> Female | <input type="checkbox"/> Male |
|---------------------------------|-------------------------------|
3. Ethnic:
- |                                 |   |
|---------------------------------|---|
| <input type="checkbox"/> Malay  | <input type="checkbox"/> Chinese                |
| <input type="checkbox"/> Indian | <input type="checkbox"/> Other (please specify) |
|                                 | _____   |
4. What is your marital status?
- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Single  | <input type="checkbox"/> Divorced      |
| <input type="checkbox"/> Married | <input type="checkbox"/> Widow/Widower |
5. What is your highest education level?
- |  |   |
|--|---|
| <input type="checkbox"/> Bachelor Degree | <input type="checkbox"/> Doctor of Philosophy   |
| <input type="checkbox"/> Master's Degree | <input type="checkbox"/> Other (please specify) |
|  | _____   |
6. Are you a home owner?
- |                              |                             |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

**Part B: Your employment background****Please tick one √ (unless stated)**

7. What is your occupation?
- |  |
|--|
| <input type="checkbox"/> Self employed           |
| <input type="checkbox"/> Private sector employee |
| <input type="checkbox"/> Public sector employee  |
| <input type="checkbox"/> Others (please specify) |
| _____  |
8. Where is the location of your current work place? (By region in Greater Kuala Lumpur)
- |                |  |                                      |
|----------------|--|--------------------------------------|
| North Region   | <input type="checkbox"/> Selayang      | <input type="checkbox"/>             |
| East Region    | <input type="checkbox"/> Ampang Jaya   | <input type="checkbox"/> Kajang      |
| Central Region | <input type="checkbox"/> Kuala Lumpur  | <input type="checkbox"/> Subang Jaya |
|                | <input type="checkbox"/> Petaling Jaya | <input type="checkbox"/>             |
| West Region    | <input type="checkbox"/> Shah Alam     | <input type="checkbox"/> Klang       |
| South Region   | <input type="checkbox"/> Sepang        | <input type="checkbox"/> Putrajaya   |

9. Which of the following best describe your **current gross monthly salary**?

<input type="checkbox"/>	Below RM 2,000
<input type="checkbox"/>	RM 2,001 - 3,000
<input type="checkbox"/>	RM 3,001 - 4,000
<input type="checkbox"/>	RM 4,001 - 5,000
<input type="checkbox"/>	RM 5,001 – 6,000

<input type="checkbox"/>	RM 6,001 - 7,000
<input type="checkbox"/>	RM 7,001 – 8,000
<input type="checkbox"/>	RM 8,001 – 9,000
<input type="checkbox"/>	RM 9,001 – 10,000
<input type="checkbox"/>	Above RM 10,001

10. What is your gross annual salary? (Please state below)

Gross annual salary RM \_\_\_\_\_

11. How many total years of working experience do you have? (after graduation of Bachelor's Degree)

<input type="checkbox"/>	Less than 1 year
<input type="checkbox"/>	1-5 years
<input type="checkbox"/>	6-10 years

<input type="checkbox"/>	11-15 years
<input type="checkbox"/>	16-20 years

**Part C: Your household income**

**Please tick one ✓ (unless stated)**

**If you are married, please answer this section.**

If you are single/divorced/widow/widower, please skip this section and proceed to Part D.

12. Is your spouse working?

<input type="checkbox"/>	Yes
--------------------------	-----

<input type="checkbox"/>	No (please proceed to Part D)
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13. Spouse highest education level:

<input type="checkbox"/>	Bachelor Degree
<input type="checkbox"/>	Master's Degree

<input type="checkbox"/>	Doctor of Philosophy
<input type="checkbox"/>	Other (please specify)

\_\_\_\_\_

14. Spouse occupation:

<input type="checkbox"/>	Self employed
<input type="checkbox"/>	Private sector employee
<input type="checkbox"/>	Public sector employee
<input type="checkbox"/>	Others (please specify)
<input type="checkbox"/>	_____

15. Spouse **current gross monthly salary**:

<input type="checkbox"/>	Below RM 2,000
<input type="checkbox"/>	RM 2,001 - 3,000
<input type="checkbox"/>	RM 3,001 - 4,000
<input type="checkbox"/>	RM 4,001 - 5,000
<input type="checkbox"/>	RM 5,001 – 6,000

<input type="checkbox"/>	RM 6,001 - 7,000
<input type="checkbox"/>	RM 7,001 – 8,000
<input type="checkbox"/>	RM 8,001 – 9,000
<input type="checkbox"/>	RM 9,001 – 10,000
<input type="checkbox"/>	Above RM 10,001

**Part D: Your current residence**

Please tick one ✓ (unless stated)

16. Where is your house located? (By region in Greater Kuala Lumpur)

North Region	<input type="checkbox"/>	Selayang	<input type="checkbox"/>	
East Region	<input type="checkbox"/>	Ampang Jaya	<input type="checkbox"/>	Kajang
Central Region	<input type="checkbox"/>	Kuala Lumpur	<input type="checkbox"/>	Subang Jaya
	<input type="checkbox"/>	Petaling Jaya	<input type="checkbox"/>	
West Region	<input type="checkbox"/>	Shah Alam	<input type="checkbox"/>	Klang
South Region	<input type="checkbox"/>	Sepang	<input type="checkbox"/>	Putrajaya
Other (please specify)	_____			

17. What type of house is your current residence?

<input type="checkbox"/>	Flat/Apartment	<input type="checkbox"/>	Semi-detached
<input type="checkbox"/>	Condominium/Service Residence	<input type="checkbox"/>	Bungalow
<input type="checkbox"/>	Single Storey Terrace house	<input type="checkbox"/>	Town house
<input type="checkbox"/>	Double Storey Terrace house	<input type="checkbox"/>	Other (please specify)

\_\_\_\_\_

18. How long have you lived at your current residence?

<input type="checkbox"/>	Less than 1 year	<input type="checkbox"/>	5 to 10 years
<input type="checkbox"/>	1 to 5 years	<input type="checkbox"/>	More than 10 years

19. Which of the following best describes your **current residence**?

<input type="checkbox"/>	Own	(please answer question 24-26 and proceed to Part F)
<input type="checkbox"/>	Rent	(please answer question 27-30 and proceed to Part F)
<input type="checkbox"/>	Family Residence	(please proceed to Part F)
<input type="checkbox"/>	Others (please specify)	(please proceed to Part F)

\_\_\_\_\_

### Own

20. What is the price of your house?

<input type="checkbox"/>	< RM 100,000
<input type="checkbox"/>	RM 100,001 – RM 150,000
<input type="checkbox"/>	RM 150,001 – RM 200,000
<input type="checkbox"/>	RM 200,001 – RM 250,000
<input type="checkbox"/>	RM 250,001 – RM 300,000

<input type="checkbox"/>	RM 300,001 – RM 350,000
<input type="checkbox"/>	RM 350,001 – RM 400,000
<input type="checkbox"/>	RM 400,001 – RM 450,000
<input type="checkbox"/>	RM 450,001 – RM 500,000
<input type="checkbox"/>	> RM 500,001

21. How did you own the house?

<input type="checkbox"/>	Financial institution (with financial family support)
<input type="checkbox"/>	Financial institution (without financial family support)
<input type="checkbox"/>	Paid by cash

<input type="checkbox"/>	Others (please specify) _____
--------------------------	----------------------------------

22. What is the monthly mortgage over gross monthly income? (Please state below)

Monthly mortgage  
Gross monthly income

RM \_\_\_\_\_  
RM \_\_\_\_\_

### Rent

24. How much is the total rental per month?

<input type="checkbox"/>	Below RM500
<input type="checkbox"/>	RM 501 – RM 1000
<input type="checkbox"/>	More than RM 1000

25. What is the estimated monthly rent over gross monthly income? (Please state below)

Monthly rent  
Gross monthly income

RM \_\_\_\_\_  
RM \_\_\_\_\_

26. Did you receive any financial assistance from parents/family to rent your house? (if yes, please state the amount in RM)

<input type="checkbox"/>	Yes	RM _____
<input type="checkbox"/>	No	



**Part E: Housing affordability problems among YWH**

For each statement below, please indicate the extent of your agreement or disagreement by placing a circle in the appropriate box.

Questions 27 – 33: Related to affordability to purchase a house

27. In my opinion, houses are not affordable if the housing costs excessively displace my other non-housing expenditures

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

28. My problem in purchasing a house is inadequate income

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

29. In my opinion, housing preferences influence housing affordability

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

30. I perceived that homeownership is available at early working age

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

31. I perceived with more working experience I will have better housing choice in the housing market that I can afford

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

32. When I graduate, I have a perception that I can afford to purchase a house in the housing market

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

33. There are limited affordable housing choice in housing market

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

Score

Questions 34 – 38: Related to house price in the housing market

34. The current house price in the housing market are expensive for me to purchase

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

35. In my opinion, housing costs are expensive in accordance to my household income

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

36. I believe overvaluation is attributable to the rising house price

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

37. In my opinion, there are volatility of house prices in the current housing market

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

38. Increase of foreign investors in the housing market affects the house price in the housing market

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

Score

Questions 39 – 43: Related to household income of YWH

39. Houses are not affordable if I pay more than 30% of my income to purchase a house

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

40. Rentals are not affordable if I pay more than 25% of my income to rent a house

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

41. My monthly income is not enough to save for the housing deposit to purchase an affordable house of my choice

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

42. Houses are not affordable because of my financial commitments

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

43. I have difficulties to purchase a house because my income is insufficient to secure a housing loan

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

Score

Question 44 – 47: Related to housing choice in the housing market

44. My tenure choice if I cannot afford to purchase a house is to rent

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

45. I will opt to purchase low cost houses if I can afford it and is eligible for it

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

46. I would like to purchase and live in urban areas if I can afford it

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

47. I do not want to bear transportation costs and purchase a house outside of urban areas

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

Score

Questions 48 – 53: Related to housing policy and schemes to assist YWH

48. I am fully aware of National Housing Policy

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

49. I am fully aware of housing schemes such as PRIMA, MFHS

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

50. I agree that similar strategy to assists low income households should be imposed to YWH

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

51. I agree that financial literacy programmes should be incorporated in housing policy and schemes

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

52. I agree that YWH should be more involved in designing and creating affordable housing in housing policy and schemes

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

53. I agree that there should be a policy on controlling a segment of housing market by the state especially for affordable housing

Strongly disagree	Disagree	Undecided or neutral	Agree	Strongly agree
1	2	3	4	5

Score

END OF QUESTIONNAIRE

THANK YOU FOR YOUR TIME

## APPENDIX B

### IN-DEPTH INTERVIEW CONFIRMATION LETTER

#### Surat Pengesahan Sesi Temu Ramah bagi Kajian Penyelidikan

Tajuk kajian: Housing affordability problems among younger working households in urban area  
Nama Penemu ramah: Zafirah Al Sadat Binti Zyed  
No Matriks: BHA100014  
No Kad Pengenalan: 870201-91-5004

#### Butiran responden

Nama:  
Jawatan:  
Alamat tempat kerja:

No telefon:

Kebenaran untuk merakam sesi temu ramah:

☐

Ya

☐

Tidak

#### Perakuan responden

Saya dengan mengesahkan bahawa saya telah ditemuramah oleh Zafirah Al Sadat Zyed atas tujuan kajian beliau pada tarikh \_\_\_\_\_ jam \_\_\_\_\_ dan bertempat di \_\_\_\_\_.

Saya dengan ini bersetuju dengan rakaman/catatan nota sesi temu ramah ini.

Yang benar,

\_\_\_\_\_

Nama:  
Tarikh:

## **APPENDIX C**

### **IN-DEPTH INTERVIEW (SET A)**

#### **View of younger working household and players in housing sector on the problems of housing affordability among younger working household and policy implications**

##### **Research Background**

The application of questionnaire survey was empirically proven that there are problems in housing affordability among younger working household. To understand deeper the problems faced by younger working household, an in-depth interview was arranged to confirm this research. The aim of the interview is to explore the reasons of problems faced by younger working household as well as to address the policy implications from the problems.

The interview is seen in two perspectives but with the same aim. The first perspective is from the state and the second is from younger working households.

##### **Views on housing affordability problems among younger working households**

1. What are your views on house prices and the income affordability among younger working households?

##### **The challenge in addressing housing affordability problems among YWH**

2. Housing supply of affordable houses has been a cause as well. What are your views on supplying houses to young household at affordable prices?

##### **Emerging housing policy and schemes to address housing affordability problems among YWH**

3. The new focus on middle income households in the National Housing Policy shows there is a problem for that income group. What are the steps taken to help this household?

##### **Recommendation to address this problem**

4. What are the implications of government's intervention in housing policy towards young households?
5. From your perspective, what would you recommend to assist young households to own a house?

## **APPENDIX D**

### **IN-DEPTH INTERVIEW (SET B)**

**View of younger working household and players in housing sector on the issues of housing affordability among younger working household and policy implications of institutional intervention**

#### **Research Background**

The application of questionnaire survey was empirically proven that there are problems in housing affordability among younger working household. To understand deeper the problems faced by younger working household, an in-depth interview was arranged to confirm this research. The aim of the interview is to explore the reasons of problems faced by younger working household as well to address the policy implications from the problems.

The interview is seen in two perspectives but with the same aim. The first perspective is from the state and the second is from younger working households.

#### **Views on current housing affordability problems**

1. Housing affordability has become an issue towards younger working households. Do you see a problem for young households in today's housing market? What kind of problems?

#### **Cause of housing affordability problem among younger working household**

2. House prices has sky rocket in the past few years in the housing market. Do you agree houses in Greater Kuala Lumpur/Klang Valley are too expensive? (YWH)  
What do you think influenced the house prices? (YWH)
3. The problem of housing affordability among young household has been pointed towards how young household manage their finances. Do you agree that young households today lack financial literacy? Why? (YWH)

#### **Affordability among younger working household**

4. Do you feel that your current income is sufficient now to purchase a house? Why?
5. What kind of monthly financial commitments do you have currently? How big is the chunk out of your monthly income/salary?
6. There is a rule of thumb that has been used in many developed and developing countries on how much from a household's income should be attributed to housing. Do you agree that 30% of your income should contribute to purchase a house? (YWH)

#### **Effective tools to help younger working household**

7. The new focus on middle income households in the National Housing Policy shows there is a problem for that income group. What are the steps taken to help this household?



**Policy implications of institutional intervention**

8. What are the implications of government's intervention in housing policy towards young households?
9. What should be addressed in the National Housing Policy? (YWH)

## APPENDIX E

### ADDITIONAL CALCULATION (ANALYSIS)

Houses that respondent can afford and cannot afford in GKL  
(Age group 20 to 24 years old)

	Housing type	House price	Mortgage payment	Can afford	Cannot afford
<b>KL</b>	1 - 1 ½ storey terrace	367325.00	1597.00		•
	2 - 2 ½ storey terrace	645627.00	2808.00		•
	2 - 2 ½ storey semi-detached	1880541.00	8178.00		•
	Detach	2119778.00	9218.00		•
	Cluster	114444.00	498.00	•	•
	Low-Cost House	185000.00	805.00		•
	Low Cost Flat	69493.00	302.00	•	
	Flat	120470.00	524.00	•	
	Condominium/ Apartment	483238.00	2101.00		•
<b>Selangor (GKL)</b>	1 - 1 ½ storey terrace	188594.00	820.00		•
	2 - 2 ½ storey terrace	407952.00	1774.00		•
	1 - 1 ½ storey semi-detached	339199.00	1475.00		•
	2 - 2 ½ storey semi-detached	951598.00	4138.00		•
	Detach	1067015.00	4640.00		•
	Cluster	206250.00	897.00		•
	Low-Cost House	98826.00	430.00	•	
	Low Cost Flat	65350.00	284.00	•	
	Flat	99135.00	431.00	•	
	Condominium/ Apartment	237612.00	1033.00		•
<b>Putrajaya</b>	2 - 2 ½ storey terrace	461000.00	2005.00		•
	*2 - 2 ½ storey semi-detached	893590.00	3886.00		•
	*Low Cost Flat	115800.00	504.00	•	

\*Q2 2012

Source: Questionnaire survey (2012), NAPIC (2012)

Houses that respondent can afford and cannot afford in GKL  
(Age group 25 to 29 years old)

	Housing type	House price	Mortgage payment	Can afford	Cannot afford
<b>KL</b>	1 - 1 ½ storey terrace	367325.00	1597.00		•
	2 - 2 ½ storey terrace	645627.00	2808.00		•
	2 - 2 ½ storey semi-detached	1880541.00	8178.00		•
	Detach	2119778.00	9218.00		•
	Cluster	114444.00	498.00	•	
	Low-Cost House	185000.00	805.00	•	
	Low Cost Flat	69493.00	302.00	•	
	Flat	120470.00	524.00	•	
	Condominium/ Apartment	483238.00	2101.00		•
<b>Selangor (GKL)</b>	1 - 1 ½ storey terrace	188594.00	820.00	•	
	2 - 2 ½ storey terrace	407952.00	1774.00		•
	1 - 1 ½ storey semi-detached	339199.00	1475.00		•
	2 - 2 ½ storey semi-detached	951598.00	4138.00		•
	Detach	1067015.00	4640.00		•
	Cluster	206250.00	897.00	•	
	Low-Cost House	98826.00	430.00	•	
	Low Cost Flat	65350.00	284.00	•	
	Flat	99135.00	431.00	•	
<b>Putrajaya</b>	Condominium/ Apartment	237612.00	1033.00		•
	2 - 2 ½ storey terrace	461000.00	2005.00		•
	*2 - 2 ½ storey semi-detached	893590.00	3886.00		•
	*Low Cost Flat	115800.00	504.00	•	

\*Q2 2012

Source: Questionnaire survey (2012), NAPIC (2012)

Houses that respondent can afford and cannot afford in GKL  
(Age group 30 to 34 years old)

	Housing type	House price	Mortgage payment	Can afford	Cannot afford
<b>KL</b>	1 - 1 ½ storey terrace	367325.00	1597.00		•
	2 - 2 ½ storey terrace	645627.00	2808.00		•
	2 - 2 ½ storey semi-detached	1880541.00	8178.00		•
	Detach	2119778.00	9218.00		•
	Cluster	114444.00	498.00	•	
	Low-Cost House	185000.00	805.00	•	
	Low Cost Flat	69493.00	302.00	•	
	Flat	120470.00	524.00	•	
	Condominium/ Apartment	483238.00	2101.00		•
<b>Selangor (GKL)</b>	1 - 1 ½ storey terrace	188594.00	820.00	•	
	2 - 2 ½ storey terrace	407952.00	1774.00		•
	1 - 1 ½ storey semi-detached	339199.00	1475.00		•
	2 - 2 ½ storey semi-detached	951598.00	4138.00		•
	Detach	1067015.00	4640.00		•
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	Low-Cost House	98826.00	430.00	•	
	Low Cost Flat	65350.00	284.00	•	
	Flat	99135.00	431.00	•	
	Condominium/ Apartment	237612.00	1033.00	•	
<b>Putrajaya</b>	2 - 2 ½ storey terrace	461000.00	2005.00		•
	*2 - 2 ½ storey semi-detached	893590.00	3886.00		•
	*Low Cost Flat	115800.00	504.00	•	

\*Q2 2012

Source: Questionnaire survey (2012), NAPIC (2012)

Houses that respondent can afford and cannot afford in GKL  
(Age group 35 to 39 years old)

	Housing type	House price	Mortgage payment	Can afford	Cannot afford
<b>KL</b>	1 - 1 ½ storey terrace	367325.00	1597.00		•
	2 - 2 ½ storey terrace	645627.00	2808.00		•
	2 - 2 ½ storey semi-detached	1880541.00	8178.00		•
	Detach	2119778.00	9218.00		•
	Cluster	114444.00	498.00	•	
	Low-Cost House	185000.00	805.00	•	
	Low Cost Flat	69493.00	302.00	•	
	Flat	120470.00	524.00	•	
	Condominium/ Apartment	483238.00	2101.00		•
<b>Selangor (GKL)</b>	1 - 1 ½ storey terrace	188594.00	820.00	•	
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	Detach	1067015.00	4640.00		•
	Cluster	206250.00	897.00	•	
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	Low Cost Flat	65350.00	284.00	•	
	Flat	99135.00	431.00	•	
	Condominium/ Apartment	237612.00	1033.00	•	
<b>Putrajaya</b>	2 - 2 ½ storey terrace	461000.00	2005.00		•
	*2 - 2 ½ storey semi-detached	893590.00	3886.00		•
	*Low Cost Flat	115800.00	504.00	•	

\*Q2 2012

Source: Questionnaire survey (2012), NAPIC (2012)